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## NATIONAL POLICY AND ISSUES

### PRC JOURNAL ON INFLUENCE OF LEFTIST IDEOLOGY

HK140252 Beijing JINGJI GUANLI in Chinese No 12, 15 Dec 80 pp 33-34

[Article reprinted from GONGJIAO QINGKUANG [SITUATION OF INDUSTRY AND COMMUNICATIONS] No 73, 1980, published by the Jiangsu Provincial Economic Committee: "Eliminate the Influence of Left Deviationist Ideology in Industrial and Communications Work—An Analysis by the Suzhou Municipal Economic Committee of the Manifestations and Harms of Left Deviationist Ideology in Actual Work"]

[Text] After the 3d Plenary session of the 11th Party Central Committee, the comrades of the Suzhou Municipal Economic Committee have deeply felt that the party's line, principles and policies voice the sentiments in their hearts. However, in implementing the line, principles and policies, people often display blindness and a lack of consciousness and initiative so that much of their work is marked by commonplace performance and a lack of pioneering spirit and creativity. Why is it that "the principles are correct but the implementation is slack"? The comrades of the Suzhou Municipal Economic Committee have repeatedly studied documents related to the Third Session of the Fifth NPC and realized that left deviationist ideology is the crux of the problem. Over a number of years, industrial and communication work has been influenced by left deviationist ideology, so that certain methods which hamper the development of the productive forces have been wrongly taken to be socialist principles, and this has caused discrepancies between actual actions and ideology or sentiments. To enhance people's understanding of the harmfulness of left deviationist ideology, they have specifically analyzed the manifestations and harm of left deviationist ideology in the current industrial and communication work in Suzhou Municipality. Their findings are summarized in the following seven points:

1. People deny the objective fact that a commodity economy exists in the historical stage of socialism and dare not fully use the law of value. When such economic levers as profit, taxation and pricing are utilized to regulate the economic benefits of various parties or sectors, the methods are not sufficiently adaptable and the measures are not very flexible. Generally, if the higher authorities have given express specific instructions, people can work according to such instructions. However, if the higher authorities merely provide instructional principles, people dare not make brave endeavors, think deeply or do concrete work. For example, in the units which are exercising greater power on an experimental point basis, the retained profits tend to be too low. Moreover, the enterprises do not have the power to use the retained profits at their own discretion. The profits of collective enterprises are

also pocketed by authorities at various levels so that very little money is really retained by the enterprises. For a long time many rational but illegal things have not been done whereas some legal but irrational practices are perpetuated.

2. On the question of ownership, people inappropriately emphasize "large size and a higher degree of public ownership" and deny the differences between the two kinds of socialist public ownership: ownership by the whole people and collective ownership." In the past, people tended to "displace" the collective economy and viewed the collective economy which is suited to the level of development of our country's productive forces as retrogressive. Various measures and restrictions were practiced to change "small collectives" into "large collectives" and "large collectives" into units under the ownership of the "whole people." In the collective enterprises, the practices of independent accounting and assuming responsibility for one's own profits and losses were replaced by practices of excessive collectivism and collective shouldering of responsibility for profits and losses. Consequently, the collective enterprises' traditions of careful calculation, strict budgeting, industriousness and thrift were "displaced." Advantages peculiar to the collective enterprises such as their inner motive force as well as their great flexibility and adaptability, due to their smaller size, were completely smothered by "larger size and a higher degree of public ownership." Even now, in the eyes of many people, collective enterprises are inferior. Certain policies and stipulations concerning the collective economy, formulated by the state and the provincial authorities, have not yet been fully implemented. The collective enterprises have not regained the power to act on their own, which they should have enjoyed. This has affected the bringing into play of the enthusiasm of the collective enterprises.

3. Power is overly concentrated and unification is too rigid. The higher authorities trust themselves alone and not the grassroots levels. People are accustomed to managing the economy by relying on administrative organization and administrative methods, and are not accustomed to relying on economic organization, methods, legislation and rules. Employing economic means to manage the economy is even equated to practicing capitalism. People merely consider the responsibilities of the enterprises toward the state and do not consider the fact that enterprises are relatively independent producers of commodities, have relatively independent economic interests of their own and should have relatively independent power to handle manpower, finance, material resources, production, supply and marketing. Because power is overly concentrated, the administrative bodies always busy themselves with trivial business, or make rash decisions before they know the actual situation, or cause long delays. Consequently, the basic levels have no power to do their own work but those agencies with authority cannot undertake the work or do the work well.

4. People blindly go after high targets, particularly high output. They often disregard objective conditions and talk about "doubling" the output, want "the output of the third quarter to exceed that of the second quarter," want "to be proud of the output of in the fourth quarter" and so on. Although people now have a preliminary understanding of the evils of high targets, in actual work the consideration of output value is still playing a dominant role behind the scenes. The blind pursuit of high targets and high speeds has caused three categories of harm to industrial production and communications work. 1) It affects the implementation of the principles of national economic readjustment. Because the targets and output values are increased at each level, the enterprises often care about output quantities

alone at the expense of quality. They care about production alone at the expense of marketing. They are only willing to produce profitable products with a high value and are unwilling to produce less profitable products whose value is low and which are needed for the people's livelihood. Consequently, the quality of some products which are in great demand and short supply deteriorates, some unmarketable products are increasingly overstocked and the targets for some less profitable, low value products cannot be fulfilled. 2) The capital construction front becomes increasingly extended. To fulfill the high targets, people often compete to start new items and blindly expand productive capacity. In the work of capital construction, tapping potentials, innovation and transformation, people often do not proceed from reality and work according to actual capabilities. They seldom analyze the possibilities. Before the funds, equipment, material resources, design personnel, labor and so on are completely available, projects of all kinds are started rashly. The fronts are extended, the items are numerous, the management is confused, the progress of work is slow, the rate of completion of projects is low and the results of investment are poor. 3) In the enterprises, there is disproportion between the expansion of productive capacity and the improvement of welfare facilities. The productive capacity of many enterprises expands continually and their output increases by leaps and bounds, but welfare facilities are not correspondingly increased or improved. Some factories with a thousand workers do not even have a decent canteen and there is a great shortage of collective welfare facilities like staff living quarters.

5. People are accustomed to using the method of mass movements to organize production. Their work is confined to making appeals at mass meetings, the introduction of models to be emulated and leadership principles. There is a lack of effective measures and a spirit of grasping the work thoroughly and in a down-to-earth manner. There are many assignments but few inspections. Much is said but little is done in grasping the work. Consequently there are no achievements.

6. People are satisfied with having "the laymen leading the experts." People do not understand the work but are not eager to learn. They think: "I am over 55 years old. Will I still have to learn to play a new tune when I am 80? After muddling along for a few more years I am going to retire." Moreover, people do not rely on or respect experts. With a smattering of knowledge and by their subjective conjecture, people decide on important production technology and certain policy questions, and thus cause grave economic losses. The problems occurring in the work at the basic levels are indiscriminately discredited as ideological problems without distinguishing whether they are ideological problems or practical difficulties.

7. Party takes the place of government and party and enterprises are not separated. Even now the secretaries of the party committees (branches) of some factories are concurrently the factory managers. For those units where the party and the enterprise administration are organizationally separate, there is still a problem of separation. At present, in many units the party committees are in charge of all matters, major or minor, and the secretaries have absolute power over the party committees. A strong system for directing production, headed by the factory manager, has not really been formed.

After analyzing the manifestations and harms of left deviationist ideology in industrial and communications work, the comrades of the Suzhou Municipal Economic Committee have felt a greater sense of urgency to eliminate the influence of left

deviationist ideology and have heightened their consciousness to implement the line, principles and policies of the party. To help the vast numbers of cadres of the whole municipality's industrial and communications fronts free themselves from old ideas and to promote economic reform, the municipal economic committee has taken the overcoming of left deviationist ideology as an important task and has included it in the plans for industrial and communications work.

CSO: 4006

PRC JOURNAL ON IMPROVING PRC'S ECONOMIC STRUCTURE

HK220728 Beijing JINGJI GUANLI in Chinese No 12, 15 Dec 80 pp 4-13

[Article by the Economic Structure Investigation Research Group: "Suggestions Concerning the Improvement of Our Nation's Economic Structure,"--slantlines denote bold-face]

[Text] I. The Present Situation of our Nation's Economic Structure and Some Major Problems Facing It

How should we assess our nation's present economic structure?

There has been an intrinsic difference between our economic structure at present and that before liberation.

Old China was a semifeudal and semicolonial society in which the economic structure was extremely irrational and the productive forces were forever stagnant. After the liberation, our people made a great effort to reform the economic structure of Old China and attained remarkable results.

/First, an independent and relatively complete industrial system and national economic system were built./ Before liberation, agriculture and handicraft industries predominated over the modernized industries, the latter occupying an insignificant proportion. The national economy was attached to imperialism. After liberation, our nation carried out large-scale socialist industrial construction. Between 1949 and 1979, the total output value of industry increased by 41.5 times, of which the total output value of heavy industries increased by 97.6 times. The total output value of industry amounted to 70.3 percent of the total output value of agriculture and industry together, instead of 30 percent in the past. The total output value of heavy industry amounted to 56.3 percent of the total output value of light and heavy industries, instead of 26.4 percent in the past. Gradually, we attained a satisfactory variety of industries, the level of modernization was constantly being raised and our nation changed from an agrarian nation into an agro-industrial one.

/Second, there has been considerable development in agriculture./ After the land reform, the peasants followed the road of collectivization. Over the past 30 years, large-scale water conservancy works have been constructed so that the conditions of agricultural production have considerably improved and the level of production

has also been raised considerably. In 1979, the total grain yield reached 664.2 billion jin. Compared with the grain yield of 226.4 billion jin in 1949, there was an increase of 437.8 billion jin. The present per mu yield of arable land is 566 jin. Compared with the 1949 per mu yield of arable land of 171 jin, this represents an increase of 395 jin. Before liberation, manual labor was employed in agriculture. After liberation, agriculture was considerably mechanized.

/Third, there has been a great development in communications and transportation./ In Old China, the railroads and road were not well developed, the rail and road capacities were low and their distribution was not rational. This situation has now been improved. Except for Xizang, all of our provinces, cities and autonomous regions now lie within the railroad network. Similarly, except for Medog in Xizang and Derong in Sichuan, all of our counties now lie within the road network. In 1979, our domestic civil aviation routes amounted to 160,000 kilometers. Fifteen international routes connect our nation with over 10 nations. We have built up an oceangoing fleet which is reasonably big for a start and which sails to over 100 nations.

/Fourth, there has been speedy trade development both at home and abroad./ In Old China, the vast countryside was based on a self-sufficient natural economy. Now there has been an enormous change. In foreign trade, imports and exports have increased by 25 times over the past 30 years. In the past 2 years, the composition of our products for import and export has also changed. Through foreign trade, we can accumulate capital for the modernization program and introduce advanced technological equipment into our nation.

/Fifth, there has been remarkable improvement in our technological structure./ We have installed not only mechanized equipment, but also automated equipment, for our industries. Machinery and modern technology have also been introduced into agriculture. In the technological structure of our national economy, manual labor which was employed before liberation has been transformed to the present multifarious structure of automation, semiautomation, mechanization, semimechanization and manual labor.

Moreover, on the basis of development in production, the people's livelihood is much better compared with preliberation days.

There are a lot of positive factors in our present economic structure. Since our nation has built up an independent and rather comprehensive industrial system and national economic system, the productive forces, especially those in industry, have been considerably developed. This is a foundation for modernization. As a result, our economic structure is quite firm and we can carry out construction, become more adaptable to different conditions and resist adversity. Our agriculture has great potential. Our mineral resources and waterpower resources are quite rich. Moreover, our strong labor force, if well employed, will become an asset for the development of production. If we make good use of the superiority of socialism and the abovementioned favorable factors, we will certainly be able to gradually build up an economic structure which will suit the modernization program.

However, problems also exist in our present economic structure. We must be well aware of them.

What are the problems in our present economic structure?

/(1) Our agriculture gravely lags behind our industry, which slows down the development of our national economy./ Since the founding of our nation, there has been a drastic drop in the ratio between the output value of agriculture and that of agriculture and industry together. In 1949, the output value of agriculture was 70 percent of the output value of agriculture and industry together. In 1979, it dropped to 29.7 percent. With each passing day our agriculture lags further behind our industry, and the latter faces the danger of developing on its own, in isolation from agriculture. Our nation's labor productivity in agriculture is rather low. In 1979, our agricultural population amounted to 83.8 percent of the total population, our farm laborers amounted to 84.9 percent of the total number of industrial and farm laborers. Although agriculture makes up such a great proportion, agricultural products have not yet been able to satisfy the needs of the development of the national economy. Our nation's agricultural structure is not rational enough. Since we lop-sidedly implemented the policy "grasp grain as the key link," we have damaged the forests and grasslands, upset the ecological balance and been unable to make good use of the natural resources. For a long time, the development of our agriculture has not been in tune with the whole national economy. During a certain period, the growth rate of grain was lower than that of population. This should not have happened in a big agrarian nation.

/(2) Our light industries lag behind and cannot meet the rural and urban population's demand for a better standard of living./ Our light industry has never been placed in a proper position. The investment in light industry was never as high as the investment in capital construction. In the first 5-year plan, it was 5.9 percent. Afterwards it did not increase. On the contrary, the tendency was for it to decrease. Our nation's major light industrial products per capita are drastically lower than those of the advanced nations. Some of the products don't even satisfy the people's basic needs. The technology employed in our light industries is about the same as in foreign countries during the 1940's and 1950's. Sometimes it is even the same as in foreign countries during the 1920's and 1930's. The rate of labor productivity is low. The internal proportions of light industry are not in harmony. Backwardness in light industry has also led to a shortage of supplies on the market.

/(3) Our heavy industry is divorced from agriculture and light industry./ It develops one-sidedly with grave disharmony in internal proportion. It is not developed well either, and so needs to be further developed. However, an examination of the overall economy shows that the scope and speed of development in heavy industry are beyond the capacity of the national economy in terms of resources and capital. If too much emphasis is put on heavy industry and too little is put on agriculture and light industry, the development of heavy industry will not be healthy. There is also disharmony between the sectors of heavy industry. Firstly, our fuel power industry is backward. Between 1953 and 1979, the average annual growth rate of the total output value of industry was 11.1 percent, whereas that of energy was only 10 percent. In addition, there are enormous wastes in energy consumption. Energy has now become a glaring problem in our national economy. Second, there is disharmony between our raw and semifinished materials industries and our processing industries. At present, our machine tool processing capacity is greater than our steel supply by 3 to 4 times. Although we have a considerable number of machine

tools, there are many more machine tools for crude processing than for refined processing. Our machine tools are much less efficient than their counterparts abroad. The production of machinery has not yet been able to meet the demands of technological reforms in the national economy. Third, our building materials industry also lags behind. Between 1953 and 1979, the average annual growth rate for this industry was 11.6 percent, which was lower than that of 13.4 percent for heavy industry. Except during the First Five-Year Plan and the period of regulation, the growth rate of the major products of the building materials industry was lower than the growth rate of industry in general over the same period. The internal proportions between the sectors of heavy industry are also in disharmony. For example, the dislocation in such industries as oil, coal and iron and steel has prevented heavy industry from playing a leading role in agriculture, light industry and the whole national economy.

/(4) The development of communications and transportation lags far behind economic growth./ Our railroad mileage is less than one-sixth of that of the United States, less than one-half of that of Russia and less even than that of India. Our road and water transport has not been able to satisfy the demands of the development of industry and agriculture. The handling capacity of our ports along the seaboard are gravely insufficient. This affects the development of our foreign trade. Our post and telecommunications are also a weak link in the national economy.

/(5) Our commerce and service trades are not suited to the development of our national economy./ Between 1957 and 1978, our nation's population increased by 48 percent, the number of workers more than doubled and commodity retailing also more than doubled. However, there was only a small increase in the number of workers in commerce, the catering trade and the service trades. Between 1957 and 1978, the number of people each retailer served increased from 114 to 213, that each worker in the catering trade served increased from 563 to 912 and that each workers in the service trades served increased from 1,056 to 1,699. This means that those needing service had to wait longer and life became more inconvenient for them. There has been some improvement since 1979, but the problem is still outstanding.

/(6) Foreign trade is not suited to the needs of speeding up the modernization program./ The total value of world trade for 1978 was 62.6212 trillion. Our nation accounted for 0.8 percent of it. Our exports (according to the value of exports purchased by the state for foreign trade) made up only a small percentage of the total output value of agriculture and industry. It was 3.9 percent for 1977 and 1978. The slow growth rate of foreign trade has restricted the ability to import technological equipment. The structure of imports and exports is not rational and a lack of overall planning and balance is seen in the import of complete sets of equipment.

/(7) The excessive scale and overextended front of capital construction during the First Five-Year Plan capital construction accounted for 37 percent of state expenditure. This percentage is now thought to be relatively reasonable. During the Second Five-Year Plan, it was raised to 46.2 percent, which was far more than we could afford and had an adverse effect on production. In the Fourth Five-Year Plan it was 40.2 percent. In 1978, it was 40.7 percent. If the scale of capital construction is too big, it will seriously affect the effects of investment and negatively affect regular production and the people's regular consumption. The results

of readjusting capital construction have been very beneficial. Even so, the scale of capital construction is still too big and the readjustment of it is still a hard task.

/(8) The proportion between "flesh" and "bone" is not proper./ During the First Five-Year Plan, amid all the investment on capital construction, productive investment amounted to 71.7 percent and nonproductive investment amounted to 28.3 percent of the total. This ratio was basically suited to the demands of the development of the national economy at that time. As productive construction developed fast, the people's living also improved. During the Second Five-Year Plan, the productive investment rose to 86.8 percent and nonproductive investment dropped to 13.2 percent of the total. Between 1967 and 1976, the productive investment rose to 87.3 percent and nonproductive investment dropped to 12.7 percent of the total. Once again the dislocated proportion between "flesh" and "bone" appeared. In 1977, the average living space for each urban dweller was 3.6 square meters, which was 0.9 square meters less than the 4.5 square meters per person in 1952. The shortage of housing is rather serious.

The above-mentioned problems are not all. In readjusting the economic structure, other problems need to be gradually solved, such as the irrational pricing structure, the problems arising from third line construction, the divorcement of the national defense industry from the industries for civil use, serious industrial pollution, the slow development of collective ownership of urban enterprises, the disharmony between scientific and educational undertakings on the one hand and the demand of the modernization program on the other, the low level of technology and management and the large number of people waiting to be employed.

Among these problems, the most important one is the dislocation of the ratio between agriculture, light industry and heavy industry. This ratio is intrinsically a relation between the means of production and the means of subsistence. The basic problem in our nation's economic structure at present is that the production of the means of subsistence lags far behind the production of the means of production. The solution of this problem should be the point of departure for the solution of a series of problems in the economic structure.

What are the causes of the irrational economic structure at present?

/First, the blind pursuit of high speed has upset the overall balance./

To attain an overall balance is the first and foremost task in planning. Since 1958, we have been blindly pursuing high speed to the extent of violating the proper ratio in the development of the national economy and the demand of an overall balance. It has been popularly believed that the ratio should be secondary to speed. In the blind pursuit for high speed, all unrealistic high quotas were said to be in accordance with Marxism-Leninism. On the contrary, all realistic quotas were condemned as in accordance with right opportunism or revisionism. An overall balance was criticized as a negative balance and obstruction to an overall balance was advocated as a positive balance. Practice has already proved that these viewpoints are entirely wrong.

For a long time, a sort of "speed is all that counts" ideology has existed in socialist construction. People who are for this idea view economic construction in an oversimplified manner. They hope to get everything done within one morning. Under the guidance of this idea and acting from their subjective will, these people set up high quotas which are divorced from reality and blindly pursue high speed. Their "speed is all that counts" ideology was also reflected in calling for all the provinces to be industrialized and to set up complete and independent industrial systems, which is not realistic at all. From now on, we must guard against the "speed is all that counts" ideology in economic construction and prevent and overcome defeatist emotions.

/Second, we have put undue emphasis on giving priority to developing heavy industry and neglected agriculture and light industry./

Comrade Mao Zedong pointed out time and again that in socialist construction, we should correctly handle the relationship between heavy industry, light industry and agriculture. However, in practice, we have neglected agriculture and light industry and put undue emphasis on giving priority to developing heavy industry. The long term implementation of "grasping steel as the key link," in particular, has caused serious dislocation in heavy industry. According to a popular theory in the past, to start industrialization with light industry meant to follow the capitalist road and to start industrialization with heavy industry meant to follow the socialist road. This theory is of course not scientific at all. In fact, in the transition from an agrarian to an industrial state, industrialization usually starts from light industry. Only when light industry and agriculture have been developed to a certain stage should priority be given to developing heavy industry. This is almost a law. In 1953, when our nation began to carry out large-scale socialist industrialization, our light industry made up a higher percentage of industry in general and had definite potential, whereas our heavy industry was quite backward. Also, considering the international situation at that time, the policy of giving priority to developing heavy industry was established. This was an essential policy at that time. A good result was also attained from the implementation of the policy during the First Five-Year Plan. However, giving priority to developing heavy industry does not mean heavy industry should be divorced from agriculture and light industry. It is not a must for heavy industry to be developed faster than light industry at all times.

/Third, An Undue Pursuit for a High Accumulation/

During the First Five-Year Plan, our nation's rate of accumulation was between 23 and 25 percent, which was quite stable and suited to the conditions at the time. Since the Second Five-Year Plan, our nation's rate of accumulation has been on the high side. This has been one of the major causes leading to the irrational economic structure. In the past, due to insufficient knowledge of the aim of socialist production, it was believed that the higher the rate of accumulation, the better. It was also believed that a higher rate of accumulation meant faster development of the national economy. This is wrong. Practice has proved that too high a rate of accumulation will cause dislocation in the national economy and a serious drop in the effects of investment and production. Too much accumulation and too large a proportion in the productive accumulation will not be suited to the growth of the means of production. They will dampen the laborers' initiative and have an adverse effect on production and construction.

/Fourth, in the process of organizing people's communes, some undue leftist ways dampened the peasants' initiative./

The problem in our nation's economic structure is basically that our agriculture is too backward. If agriculture is backward light industry will not be able to advance and heavy industry will not be smoothly developed. There are many reasons for the backward state of agriculture, one of them being that the organizing of people's communes and the undue leftist policy that was implemented for a long period that followed dampened the peasants' initiative. Our nation attained great results from the cooperativization of agriculture. However, during the transformation period, some regions wrongly demanded far too high a speed of transportation and far too high a degree of socialization. Especially during the process of communication, "the communist spirit," high requisition by purchase and blind commands seriously sapped our vitality. For a long time after, Lin Biao and the gang of four were constantly engaged in "cutting the tails of the private ownership system," abolished private plots of land and country trade fair and were engaged in the so-called "transition from poverty," so that some correct policies were not consistently implemented.

/Fifth, the system of ownership by the whole people as practiced in the system of economic management has had grave defects./

Our nation's present system of economic management is too centralized and rigid. The enterprises, deprived of adequate autonomy, cannot properly play the role of regulation by market mechanism. In industry, communications, transportation and trade, little importance is attached to the economy of the collective ownership system in cities and towns, nor is it brought into full play. In addition, there is little distinction between the administration and the enterprises, too much attention on the methods of management and too little on the economic medium. As a result, there is an absence of automated regulatory mechanisms in social production, so that problems arising from the national economy cannot be detected and solved in time.

## II. Suggestions To Improve our Nation's Economic Structure

A rational economic structure is relative to a certain period, place and conditions. The economic structure of our nation should be one which can make fairly full and good use of our nation's manpower, material resources and natural resources, enable a harmonious development in the links of the reproduction chain and the sectors in the national economy (especially agriculture, light industry and heavy industry) and bring forward a good cycle of economic activities. A good cycle of economic activities means that the development of the national economy should enable high speed, substantial accumulation, good results and constant betterment of the people's livelihood. Therefore, within the next decade, we must try our best to speed up the development of agriculture, light industry, sources of power, the building industry, transportation and communications, post and telecommunications, trade and service trades. Heavy industry cannot and should not be developed too fast. We must also try to keep our national economic growth steady at a high speed and keep the growth rate of the GNP ahead of that of the total output value.

In readjusting our nation's present economic structure, we must grasp the basic features of our nation's economy, start from the actual situation, give full play to our superiority and avoid the shortcomings. The basic features of our nation's economy are as follows. 1) Our large population provides a strong labor force. Our nation possesses considerable natural resources but insufficient capital. 2) Although great achievements have been accomplished in socialist construction, its foundation is still rather weak and the levels of technology and management are still low. 3) Although the socialist economic system has been established, the management system and economic structure are still imperfect. In order to be suited to the state of our nation's productive forces and the modernization program, the economic systems of ownership by the whole people and collective ownership will co-exist for a long period. Under the circumstances in which the socialist economy is absolutely superior, diversified economic sectors and diversified management patterns will also coexist for a long period.

Starting from the basic features of our nation's economy and the problems in the structure of our national economy, we should grasp the following points to set up relevant policies and readjust our nation's economic structure. First, our socialist system requires that our economic structure should be able to satisfy the people's needs for food, clothing, housing and daily necessities. Second, we must solve the imperative problem of energy resources. Transportation and communications should go ahead of the rest. In the next decade, we should develop more labor-intensive and energy saving industries so as to solve the employment problem and the energy problem. Third, we should adhere to the policy of self-reliance, make full use of the existing foundation and make an effort to tap the potentials and carry out innovation and technological restructuring in the old enterprises. Fourth, we should increase our exports, introduce technology into our nation, make use of foreign investment and strengthen the weak links in our nation. Fifth, the war industry and industries for civil use should be truly integrated. Sixth, we must attach great importance to the development of science education, do well in such undertakings as population control, conservation of the environment, labor conditions, urban construction and public health. In short, in improving the structure of our national economy, the target and point of departure should be a suitable relation between social production and consumer needs.

/(1) Set a firm foundation for the development of the national economy by comprehensively developing agriculture./

In comprehensively developing our nation's agriculture, forestry, animal husbandry, sideline production and fishery, the major problem of food supply has not been solved yet. Examples in Chinese and foreign history show that the food problem can only be solved by comprehensively developing agriculture, forestry, sideline production, fishery and other economic crops, not by "grasping grain as the key link" alone and least of all by damaging the forests, grasslands and economic crops in order to develop food production. Without a wise plan, the food problem will not be solved. Worse still, grave consequences will be brought about with a disrupted rural economy and upset ecological balance.

Here are some suggestions for comprehensively developing agriculture.

1. Safeguard the collective ownership system based on production teams and respect the autonomy of the production teams. Implement the job responsibility system and other management systems which are effective and in accordance with the development of the productive forces. Set up a stable, long term policy on the production team members' private plot and household sideline production.

2. Carry out scientific planning of agricultural zoning and guarantee the food supply for the peasants and herdsmen in the areas of economic crops and pastoral areas. Allow stronger cooperation between the areas so as to maximize their natural superiority and economic superiority and considerably develop forestry, animal husbandry, fishery and economic crops in a short time.

3. Set up a suitable policy on agricultural mechanization. Avoid blind and total mechanization in our agriculture. Make full use of the strong rural labor force, carry out scientific farming and raise the yield of the farmland. Agricultural machinery should be provided for areas to solve the problems of rural transportation, storage and racing against the seasons in farmwork. This should apply to all areas except for the scarcely populated areas, such as the northeast and the northwest. For a period to come, carry out measures to encourage and support the use and development of draught animals. At present, the level of our application of chemical fertilizers is low. Our nitrogen, phosphorus and potassium, especially, are not in a proper proportion. From now on, there should be a balanced development in the production of chemical fertilizers. We should also increase the production of organic fertilizers. In developed capitalist countries, it is common to see a higher degree of structuralization in agriculture than in industry and agricultural products account for more fixed assets and circulating capital and an overly high consumption of energy resources. This calls for our attention.

4. Emphasize the actual effects of agricultural construction. Over the years, state-invested agricultural capital construction projects built by the production teams have had a broad scope. This has had important effects on agricultural production. However, some of the construction has had poor effects or even upset the ecological balance. In future water conservancy projects, attention should not be on the construction alone, but also on transforming mountains and harnessing rivers, afforestation and grass planting, so as to basically guarantee the water sources. We should oppose formalism, stop work efforts and attach importance to installing equipment in the completed projects in order to make the best use of investment.

5. Systematically readjust the price relations between agricultural and industrial products and narrow the differential between the two.

/(2) Speed up the development of light industry, increase accumulation and improve the people's livelihood./

The growth rate of light industry should be faster than that for heavy industry. The present proportion of light industry is 40 percent or more. It should be raised to around 50 percent by 1985 (or later).

Here are some suggestions for speeding up the development of light industry.

1. Gradually change the composition of raw materials in light industry. Bearing in mind the trend of development in modern industry, the development of our heavy industry (especially the petrochemical industry and the coal chemical industry) and the actual market demands, try to raise the ratio between industrial raw materials and agricultural raw materials in light industry from a ratio of 3 to 7 at present to 5 to 3 by 1985 (or a bit later) and to 7 to 3 by 1990 (or a bit later).
2. Gradually change the composition of light industrial products. According to experience at home and abroad, as the people's standard of living rises, there is a greater demand for clothing and especially articles for daily use, durable and medium and high grade goods. The composition of light industrial products should be changed in the light of this situation. We should maintain and develop traditional handicrafts in order to gain more foreign exchange.
3. Restructure the ownership system of light industry for a long period to come, manual industrial production should still not be ignored and industries under the collective ownership system should be further developed. In the output value of light industry, that of the collective ownership system should be higher than that of the system of ownership by the whole people. At the same time, individual handicrafts should be restored and developed.
4. Adhere to implementing the already determined principle of "six priorities" for the development of light industry, raise the proportion of technological personnel in light industry, readjust the internal irrational structure of light industry, solve the deficit situation and overcome the internal imbalance.
5. The heavy industrial sector should produce consumer goods that the people need, especially consumer durables.

/ (3) Restructure heavy industry and bring into full play the role of the machinery industry in technological reform. /

Heavy industry plays a leading role in the national economy. It provides energy, raw materials, other materials and equipment for the sectors of the national economy, consumer durables for the people and goods for export. To enable heavy industry to effectively accelerate the development of the national economy, we must restructure heavy industry according to the abovementioned prerequisites and make heavy industry better serve agriculture and light industry. For a better structure of the national economy, the speed of development of heavy industry and the proportion of heavy industry in the output value of industry as a whole should be properly readjusted. Perhaps we can readjust the proportion of heavy industry from 56.9 percent at present to 50 percent by 1985 (or later).

Technological reforms are needed in the sectors of our national economy for the modernization program. The engineering industry should shoulder this task and readjust the direction of service. It should switch from capital construction for new factories to tapping potentials and carrying out innovation and technological restructuring of old factories, rendering more service to agriculture, light industry, urban construction (especially for housing), improving the people's livelihood especially in the sense of the production of consumer durables, and gradually aim at exports rather than just at the domestic market.

Here are some relevant suggestions:

1. Systematically accelerate the installment of new equipment. Most of our enterprises have old equipment. In 10 to 15 years, all the old equipment should be replaced by new equipment. This will increase the supply of scrap metal and accelerate the development of the iron and steel industry, alleviate the conflict of a low utilization rate of equipment in industry, enable technological improvement in the enterprises, raise the labor productivity rate and minimize energy consumption and wastes of raw materials. In the process of installing new equipment, we must remember that our nation is rich in manpower and avoid total automation. The target should be higher quality, lower consumption, more varieties of goods, energy saving, avoidance of environmental pollution, higher technological and economic quotas for the products and expanded production capacity, so that the products will be advanced enough to withstand international competition. We should raise the level of automation according to the conditions and needs of production. In cases where large-scale repairs or energy consumption are more costly than buying new equipment, we should simply install new equipment. The present rate of depreciation is too low. It should be raised to insure a stable source of funds for technological restructuring.
2. Make full use of the production capacity of the war industry and uniformly organize the specialized production of the war industry and the civil machinery industry according to the types and features of the products. One-tenth of the whole nation's machine tools are in the war industry, of which nearly 70 percent are large machine tools. However, they are not fully utilized. Therefore, in organizing production in the machinery industry, we must break through the barrier between the war industry and the civil industry and unify specialized companies of a similar technological nature so as to unify the production of the same types of products. When producing goods for civil use, defense industry enterprises may need certain additional equipment, but we must not blindly expand capital construction and we must not create new production lines. The same production line should cater for the production of goods for military and civil purposes alike.
3. Raise the quality and lower the costs of production in order to strengthen our competitiveness in the international market. China is one of the nations which possesses the greatest number of machine tools in the world. Unfortunately, our machine tools are poor in function and quality. They are neither durable nor reliable and the costs of production are high. Only at raised quality and lowered costs can they be installed for the sectors of the national economy and the international market. Engineering products and complete sets of equipment should gradually become the major items for export. This should be a strategy in the development of our machinery industry.

The iron and steel industry is an important sector in our heavy industry. Its development should meet the demands of the other sectors of the national economy (especially the machinery industry) in terms of the quality, variety, quantity and standard of steel. The iron and steel industry is too prominent. To change this phenomenon, the metallurgical sector should for a certain period emphasize the development of varieties and standards and raising the quality of iron and steel production. Large amounts of capital and energy are needed for the development of iron and steel production. In the process of our four modernizations, how much iron and steel will be needed at different stages is a question that calls for

serious study. Japan's present annual steel output is 100 million tons, of which 30 million tons are for export. In internal consumption, the shipbuilding industry and automobile industry consume the most steel, but their products are mainly for export. The mechanical manufacturing industries also produce a lot for export. West Germany only has 50 million tons of steel and Britain has under 30 million tons. In both cases, the steel is sufficient for the needs of their domestic manufacturing industries. We should have a correct estimate of how much steel we shall actually need. The iron and steel industry should be restructured internally. Our present ratio between iron and steel is 1.09 to 1, whereas the average world ratio is 0.7 to 1. If we lower our ratio to 0.9 to 1, we shall be able to save 9 million tons or more of coal per year. We should also strengthen the recycling and utilization of scrap iron and steel. This means an increase in steel output without consuming more energy.

Our petrochemical industry and coal chemical industry still lag behind. They should be more quickly developed in the next decade provided there are sufficient raw materials and capital, so that they can provide more materials for light industry and more of a contribution to the modernization of agriculture.

/(4) Establish in time a stable, long term energy policy and set up a rational energy structure./

Energy is a determining factor in the scope and speed of industrial development. A combine measure for social production and the standard of living is the average energy consumption per capita. At present, our nation is seriously lacking in supplies of energy. If the energy problem is not solved, it will not be possible to harmoniously develop the national economy and continuously improve the people's livelihood.

Compared with the needs of the four modernizations, our energy reserves are not abundant. The future of energy is not clear yet. According to the recoverable reserves, our average amount of energy reserves per capita are only half that of the world average, one-tenth of that of the United States and one-seventh of that of the Soviet Union. Therefore, we should set up a far-sighted and scientific energy policy.

1. According to the conditions of our energy reserves, for a considerably long period from now on, coal should still be the principal source of power. In the composition of energy consumption for the next decade, we should stick to the present proportion of 70 percent or more for coal. We should devote major efforts to exploit coal reserves, especially to unified exploitation of the coal reserves in Shanxi, Inner Mongolia, Guizhou, Hunan and Hubei, and systematically build up a group of large coal bases. We should sensibly exploit coal reserves, improve the conditions of labor and insure safety in production. In the next decade, there will not be a remarkable improvement in the gasification and liquefaction of coal. The main form of utilization will still be direct burning of coal. Therefore, we should improve our coal burning technology, raise the thermal efficiency and carry out measures to protect the environment.

2. In oil exploration, we should strengthen geological surveys, and rationally exploit and use the oil reserves. Oil should be mainly used as a raw material for the

chemical industry. The proportion of oil for direct burning should be considerably reduced. We should also strengthen coal washing and gradually increase the export of coal.

3. Hydroelectricity is a cheap and clean source of power which can be regenerated. Our nation is quite rich in waterpower resources. The areas with a rational economy should first be developed so that in 1 year's time 1 trillion kilowatt-hours of electricity will be generated, which is equivalent to 600 million to 700 million tons of coal. However, to date not even 3 percent of the theoretical reserves have been developed. In terms of investment and construction period, hydroelectricity is not any inferior to thermal electricity considering the coal and transportation equipment needed for thermal electricity. Therefore, we should grasp the opening up and construction of waterpower resources.

4. We should attach great importance to solving the energy problem in the rural areas. We should seriously develop hydroelectricity, marsh gas and forest for use as firewood and solve the energy problem in the rural and mountainous areas. In investment and distribution of materials, we should create factors for the development of diversified sources of power in the rural areas.

5. We should make an effort to save energy. Our nation has great potential for saving energy. In the past, the coefficient of energy consumption was about 1.2 (that is, if the output value increases by 1 percent, energy consumption will increase by 1.2 times). With an effort to save energy, last year's coefficient of energy consumption dropped to 0.12. This shows that energy saving is possible. The major measures to save energy should be to reduce the industries in which too much energy is consumed and whose products are not absolutely essential to society, develop energy saving industries and take steps to save energy in technological reforms. Some of the "five small industries" which have been constantly consuming too much energy should be suspended.

/ (5) Strengthen urban planning and construction and systematically develop the building materials industry. /

Insufficient housing is a most notable problem facing our urban and rural populations at present. We should therefore systematically and vigorously develop the building industry for civil use. The building industry is an important sector of material production in the national economy. We should attach great importance to the role of the building industry, especially that of the building materials industry and the civil building industry.

1. Strengthen urban planning with rational distribution and systematically carry out construction to overcome the present anarchistic situation. Rural construction should also be systematically carried out and according to local conditions.

2. The building materials industry is the foundation of the building industry. We must vigorously develop the building materials industry, speed up the production of building materials such as cement, glass and bricks. We must also develop the building materials industry under the regional collective ownership system and guarantee the supplies of building materials for the civil building industry, develop new building materials, selectively construct nonmetallic ore bases and provide nonmetallic materials for the national economy and national defense.

3. Strengthen the balance and harmony between the building industry and the related sectors of the national economy.

4. Gradually treat the products of the building industries as commodities.

5. Introduce savings funds for housing and payment by installments and encourage individuals to buy and repair houses. There should be relevant reforms in allotting and utilizing houses and the structure of renting.

/(6) Suitably lower the rate of accumulation and rationally readjust the structure of investment./

1. Our nation's rate of accumulation has for a long time been too high and problems have emerged. According to historical experience and the level of our present national economy, the rate of accumulation should be around 25 percent.

2. The scale of capital construction should be suitable. It should be suited to our present capacity and within certain limits. First, the people's livelihood should not deteriorate; second, there should be no deficit; third, there should be sufficient commodities for the people. To efficiently reduce the scale of capital construction, we must be determined to stop or suspend some large-scale heavy industrial projects and projects due to be introduced into our nation. According to the present situation, in the next 10 or 20 years, only one or two large-scale projects should be carried out every 5 years.

3. Follow the principle of production first, capital construction later. In investment on capital construction, we must first guarantee technological reforms for the present equipment. To speed up technological reform in the existing enterprises is the principal and basic way to accomplish the four modernizations. An important principle for the distribution of investment is to switch the emphasis from building new projects to renovating and restructuring existing ones. The proportion of capital for technological restructuring existing ones. The proportion of capital for technological restructuring in existing enterprises to the total amount of capital for central and regional capital construction should be raised from 30 percent in 1978 to 70 percent from now on. Technological equipment introduced from abroad should first be applied to technological reform in old enterprises. We should not immediately set up new enterprises just for the sake of installing foreign equipment.

4. Rationally decide the direction of investment according to a rational readjustment of the structure of agriculture, light industry and heavy industry. First, guarantee the essential investment in light industry. This can ease market supply and quickly bring new accumulation. When the conditions are ripe, correctly increase the investment in agriculture. Change the pattern of investment distribution in which undue emphasis is laid on heavy industry to the neglect of agriculture and light industry. Investment in heavy industry should be properly arranged. First, guarantee the need to develop the energy industry. The purpose of investing in the metallurgical industry should be to better satisfy the needs for product variety, standards and raised quality, and to satisfy the need for mine construction.

5. Suitably increase investment in the production service sector and speed up the development of tertiary industries. This is another important aspect in building up a rational economic structure.

6. Increase the investment in education and science and speed up the development of scientific and educational undertakings. Backwardness in the scientific and educational undertakings is the greatest barrier to our modernization program. We should increase the investment in scientific research and education as much as as fast as possible. This is an extremely important aspect in the distribution of investment.

7. Raise the economic effects of investment to the fore. Each sector should set up a time limit for investment return and a minimum standard for rational investment. Anything that is not up to standard should not be approved. Enterprises that lose money due to poor management should not be allowed to exist any more. Enterprises that lose money due to policy should be given less subsistence than before.

/(7) Readjust the structure of import and export commodities./

The present structure of import and export commodities must be readjusted to suit the demands of a rational economic structure, promote the harmonious development of agriculture, light industry and heavy industry and accelerate the modernization of socialist construction.

1. Regarding imports, we should introduce into our nation mainly key technology, key equipment and materials that we do not have or that are economically disadvantageous to our own production, so as to modernize our trades. We must strictly and carefully grasp the introduction of complete sets of large equipment. We must also strengthen our ability to imitate, reproduce and recreate so as to avoid importing the same equipment again. We must set up a protectionist policy according to our nation's actual situation. Whatever can be produced after importing some technology from abroad should not be introduced into the nation.

2. Regarding exports, we must correctly estimate the resources and the domestic market demand. According to the domestic production capacity and international market demand, we should gradually switch from mainly exporting agricultural and primary products to heavy and light industrial products, especially products of the machinery industry and advanced processing industries. In mechanical products, we should increase the export of single machines and develop the export of complete sets of equipment at the same time. We should vigorously develop labor-intensive products, especially our outstanding handicrafts, set up a policy to protect our resources and vigorously organize the export of "high foreign exchange commodities" (less than 1 yuan in exchange for \$1). For "high loss commodities" whose rate of loss is over 70 percent, we must systematically raise their quality, lower their costs and lower the purchase price, then continue to export them, reduce exports or even stop exporting them.

3. In readjusting the structure of export commodities, pay special attention to the economic means and set up policies and measures to restrict imports and encourage exports, such as a rational exchange rate to settle accounts and taxation and pricing policies.

/ (8) Plan economic divisions and establish a rational regional economic structure to maximize the economic superiority of each region. /

A rational economic structure requires scientific planning of economic division, a good regional economic structure, maximization of the natural superiority and economic superiority of each region and vigorous development of the commodity economy.

1. According to the distribution of natural resources, the existing foundation of industrial production, agricultural production, factors of transportation and historically formed economic relations, divide the nation into a certain number of economic regions and clearly distinguish economic divisions from administrative divisions. In the future, the administrative divisions should be suitably readjusted according to the economic divisions.
2. All the regions should proceed from the actual situation to build up an economic structure that can maximize various aspects of superiority, such as natural superiority (climate, soil and resources) and economic superiority (production capacity, technological strength and management experience).

The economic structure should not be uniform for all the regions alike, it should vary according to the strength and features of the regions. Each region should place its manpower, material resources and capital on sectors with better economic effects and which mainly produce products at the lowest production costs. Through an overall balance, the structure of the national economy built upon the foundation of the best structure of economic regions can be one that enables a balanced development between agriculture, light industry and heavy industry and with the best economic effects.

3. Relevant factors should be created for the establishment of a structure of economic regions which can maximize the superiority of the regions. For example, in transportation we should guarantee a smooth flow of material resources; regional interflow of material resources should be beneficial to both sides; regions that supply commodities should be able to obtain in time the correct quality and quantity of commodities they need. More important is that the profits from raw materials and processing should be considered.

4. We must overcome the belief that all the regions must build up an economic structure with as many sectors as possible. Generally speaking, since the regions differ according to natural factors and the history of economic development, it is unrealistic to unifiedly develop them all in an overall pattern. Even in regions which can comprehensively develop agriculture, light industry and heavy industry, the strength should be centered on the most profitable sector. Only in this way can the best economic effects be obtained.

/ (9) An important factor in rationalizing the economic structure is to put transportation to the fore. /

With the development of socialized production, the relations between the sectors of the national economy; demand, supply and marketing; production and consumption; and the regions are becoming closer. The closer relations have caused a higher demand for transportation, communications, post and telecommunications. The

development of our economy and readjustment of our economic structure require a greater development of our transportation, communications, post and telecommunications.

1. Enable overall planning, rational division of work and utilization of different forms of communications according to their characteristics. Try as much as possible to change the situation in which railways are overburdened with the task of transportation. Railways should mainly function in long distance transportation of bulk materials. Make full use of water transportation. Whatever can be transported by water should be. Actively open up direct seaboard routes between the south, the east and the north of China. For short distance transportation, there should be a clear and economically rational division of loads between railways and roads. Try as much as possible to use the roads for transportation. Strengthen the function of civil aviation in long distance passenger carrying and cargo freight. Organize coordination between the different means of transport. Gradually promote the coordination of transport by rail, water and road, and on the seaboard, the Changjiang and inland rivers; and create factors to coordinate production, supply, transportation and marketing.

2. Enable an overall planning and rational distribution of post and telecommunications. Except for the military sectors and railway sectors, the communications system should be uniformly planned, constructed and administered for all the sectors. The operation of telephones and post and telecommunications in large and medium-sized cities should be included in urban planning. The communication capacity and level of service should be raised.

3. All the industrial sectors should rationally arrange the distribution of productive forces and distribute products according to the actual situation, strengthen the washing capacities in coal mines and phosphorus mines and stop the irrational phenomenon of bulk transportation of useless stones and ash.

/(10) Reform the system of economic management and promote a rational economic structure./

At present, the grave dislocation in the proportion of the national economy is a great obstruction to our economic development. If this problem is not solved, we will not be able to carry out a thorough reform of the economic system. Yet, without thorough reforms, it will be impossible to establish an economic structure with a harmonious development between agriculture, light industry and heavy industry.

The system of economic management in which the administration overrides the enterprise itself has been practiced for a long time. Most heavy industry has been under central control, whereas agriculture and most light industry have been under regional control. This is disadvantageous to the overall balance between and harmonious development of agriculture, light industry and heavy industry. The war industry is independent from the other industries. In times of peace the war industry becomes idle and is not put to good use. Moreover, production and the people's livelihood are under the control of different sectors. This causes the divorcement of production from the people's livelihood. To manage the economy only with administrative orders, administrative levels and administrative divisions greatly hinders the

development of the commodity economy, and is one of the important reasons for the establishment of thousands of things that are at odds with the people's needs, and for the setting up of a completely self-sufficient and uniform economic structure.

Through reform of the system of economic management, we should handle problems according to objective economic laws, expand the autonomy of enterprises and implement the organic combination of regulation by planning mechanism and regulation by market mechanism. Only by so doing and under state unified planning can we bring into play the automatic regulation of the economic mechanism, promote a rational economic structure and a harmonious economic development.

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## NATIONAL POLICY AND ISSUES

### PRC ECONOMIC JOURNAL ON ECONOMIC INTEGRATION

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[Article by Zhou Chuan [0719 1557]: "Develop Economic Integration and Get Better Economic Results"--slantlines denote boldface]

[Text] Like any other production industry, we should emphasize efficiency when promoting economic development. We should implement the concept of "careful selection" and minimize expenditure in order to get the maximum economic effect. The principle "make full use of our advantages"--protect competition and promote integration--has and will continue to have tremendous influence in enlivening the economy, promoting development and getting better economic results.

In accordance with the furtherance of the national economic policy of readjusting, restructuring, consolidating and improving all sorts of economic combinations are continuously making an appearance. The principal forms of these economic combinations are:

**Specialized Integration:** According to an incomplete estimate over the past few years, more than 1,000 main factories and specialized companies have been set up all over the country. These companies and main factories have different degrees of centralized control over labor, capital, material, property, supply and sale of branch factories. They practice division of labor according to products, craftsmanship, spare parts and technology. Hence they are specialized in production. For example, Nanjing, in order to promote the production of TV sets, radios and tape recorders, seized upon the production of a whole set of speakers which are in short supply. From the beginning of this year, the specialist radio equipment factory and the broadcasting appliances factory got organized and practiced joint management. In the first half year, they produce 1.5 million speakers, an increase of 80 percent in comparison with last year. Xiang Fan Municipality in Hubei Province has set up, one after another, a sewing machine main factory and specialized companies for clothing, hats, shoes and furniture. There is a division of labor according to products. They have set up specialized corporations, practicing production and marketing "plaited like a whip." This enables product varieties to be increased, quality to be raised and the growth of a large range of Shandong products. Three "small but complete" lock factories were organized with division of labor according to specialization. They set up 6 branch factories and one workshop for repair and maintenance. After 8 months' integration, average monthly increase in production was 12.6 percent and profit was up by 19.7 percent.

**/Integration of Processing Area and Resources Supply Area./** This type of economic integration whereby different areas which are proficient in natural resources combine their strongpoints with other areas which are more advanced in production techniques and management skills is being actively promoted in many places, because the economic effect is outstanding. For example, the Zhangzhou Canning Factory in Fujian Province has good equipment and technology. However, this year, canning factories were set up in many counties and compete with it for raw materials. In order to solve this conflict, after negotiation, they were all integrated to become the Zhangzhou Main Canning Factory with associated branch factories or workshops established in the counties, some dealing with semifinished products, others dealing with rough machining. The main factory and branch factories are in direct contact with the production teams, thus constituting a rational arrangement of the material production base. The main factory unified the distribution of raw materials, unified the arrangement of production, unified the sales and marketing of products and unified the receipt and distribution of profits and divided things up in a rational manner. After this integration, each unit was able to get what it wanted and fully exploit its strongpoints. Minyang County in Hubei Province has an ample supply of grass. The mat they knit is called "Tatami" in Japanese and is very popular. In order to make full use of this natural advantage, increase the production of mats and increase exports to Japan, the whole county organized itself into one unit from planting the grass, through to processing and product marketing. The production teams planted more and better grass and the county-run factory did processing work and packing. The distribution of products took the interests of both parties into consideration and each got its deserved share. This not only enabled the communes and production teams to give play to their strongpoint of planting grass but also stimulated the county-run processing enterprises to take an active role and the range of mat products was increased.

**/The Integration of Agriculture and Industry./** This is a new way of speeding up the development of industry, especially in densely populated towns with a limited amount of space. They extend the production area from the suburbs to villages and the countryside, opening up a second front which has become an important channel. For example, the Dazhihe Wool Spinning Mill of Shanghai was set up after negotiation between the Shanghai Woolen Company and Nanhui County and is an industrial-agricultural integrated enterprise. The factory occupies 71 mu of agricultural land. It has 5,200 wool spinning spindles which can produce up to 1,000 tons of knitted woollen material annually. Their concrete methods are: jointly run industry and agriculture, dual leadership, giving priority to industry and distribution of profit. "Jointly run industry and agriculture" means that the factory supplies equipment, technology and the principal management cadres and the villages provide the land, factory sites and labor. On investment, industry will contribute 55 percent and agriculture 45 percent. "Dual leadership, giving priority to industry" means that both parties will be integrated and organized into one administrative party. Industry will supply the chief managers of factories, sections and workshops.

Agriculture will supply the deputy heads. The industrial and agricultural parties will both negotiate and determine such vital issues as production of the set down principles and policies for enterprise, direction of development and setting down the yearly plan. The "distribution of profits" will be in proportion to their investment. The profits gained by the agricultural party will be in accordance with the regulations for tax remittance by commune-run enterprises. Although this will

has only undertaken production for a relatively short time, it has already demonstrated the superiority of jointly-run industrial and agricultural factories. (Please refer to the article in this periodical "There Is Much To Be Done on Joint Running of Industry and Agriculture").

**/Integration of Industry and Commerce./** These are units under the unified management of the jointly organized industrial and commercial departments and are beneficial in that a close association is established between production and marketing, fluctuation of the market can be grasped in time and production can be organized according to need. For example, the Shanghai Knitted Belt Company has negotiated with a commercial department and implemented an integrated commercial and industrial system. The staff and workers of the commercial department previously responsible for the production of knitted belts are now under the centralized leadership of the company. The company has set up a retail sales department to carry out the task previously assumed by No 1 commerce department. The Shanghai Toys Industry Company has been incorporated with the toy department of a branch of the Light Industrial Import-Export Company of the foreign trade department and set up an integrated industrial trade toy company. This way of doing things promotes close cooperation between industry and commerce, promotes the development of production and expands export trade.

**/Multiform Economic Integration./** A good example is the Chongqing Watch Industry Company which is affiliated to three jointly managed factories and seven processing contract factories. Among these factories, some are under the system of ownership by the whole people, some are under the collective ownership system, some are county-run factories, by the workers, some are owned by the municipal government, some are street-run factories and some are run by production teams. The company sets up a committee to implement uniform control, appointment of a factory chief and democratic management. The company assists the branch factories as necessary with capital, technology and key items of equipment. Hence a network of watch production is gradually set up. The jointly managed factories and contracted factories participating in the company still practice independent accounting and responsibility for their own profits and losses, and every year they can retain a fixed proportion of the profits and processing expenses.

**/Transprovincial Integration./** In order to open up new channels for raw materials, the method of "compensation trade" is being generally adopted in districts where industry is fairly advanced to supply associated enterprises in other districts with technology, equipment and capital so as to increase their productive capacity. The recipient will use part of the increased production within a certain period as compensation to clear the debts. For example, the Shanghai Handicraft Departments have cooperated with 12 factories in Zhejiang, Jiangsu, Anhui, Jiangxi, Hunan, Hubei, Guangdong and Guangxi provinces for the manufacture of paper, hinges, woodwork, cement and china. In this way, the production of the recipient party is developed and Shanghai gets a regular supply of necessary raw materials each year. This increases the supply of certain commodities for the market.

**/Integration Between State and Localities./** In order to assist certain regions to develop their natural resources, the state supplies them with the necessary goods and materials. In return, the localities supply the state with more economic products. For example, the state and Fujian are practicing "linking sugar with grain and exchanging sugar for grain." This is also a form of economic cooperation.

Fujian is the chief province in China for the production of sugar cane. There the output from 1 mu of land is more than triple that of some provinces. Before 1975, since there was a conflict for land between the production of cereals and sugar cane, generally speaking, the production of sugar cane was low and there was no increase in production. In order to help Fujian to promote its production of sugar cane, after research and negotiation, starting from 1976, within a fixed period of time, the state was to transfer 200 million tons of grain to that locality which, in return, was to supply more commodity sugar to the state. The concrete method they adopted was: "linking sugar with grain and exchanging sugar for grain." That means, the transference of grain was to be compensated by sugar. Roughly speaking, this practice was to exchange 1 ton of grain for 1 ton of sugar. Facts show that this method is beneficial to the state, the locality, the enterprise and the individual. From 1976-1979, the state supplied Fujian with 400,000 tons of grain and Fujian supplied the state with an extra 430,000 tons of commodity sugar. In addition, after 4 years' accumulation of the tax and profit levied on each ton of sugar, the state's income increased by more than \$300 million.

The above varieties of economic system can be summed up as having three characteristics. They are:

/First, they destroy the natural economy of self-sufficiency./ There is a contradiction between natural economy and socialized enlarged production. The concept of "small but complete" is a product of the natural economy. It blockades us like "drawing a line on the ground as a prison," insures backwardness and not only hinders interregional cooperation but also negatively influences regions making full use of their superiority. Indeed, to develop the above-mentioned economic integration will break down the barriers between departments, trades, regions and ownership systems. Organizing production and circulation according to the relations embodied within economic activities will pave the way for the development of socialist enlarged production.

/Second, they facilitate developing strong points, avoiding weak points and giving full play to superiority./ Generally speaking, when we talk about economic superiority, it includes two factors: one is the natural resources; the other is the technological conditions and management level. It is very rare for a district or unit to have both an abundant supply of natural resources and excellent technological conditions and a good management foundation. It is only natural that a place will have both strong points and weak points. The advantages enjoyed by a certain area may be the disadvantages of another area or vice versa. The organization of different types of economic integrated bodies will enable the different parties to supplement one another's shortcomings. Thus from an overall viewpoint, it will facilitate developing strong points, avoiding weak points and bring full play to superiority.

/Third, they bring better economic effects./ The advantages of economic integrated bodies is that things are run in accordance with the objective laws of socialist economic development. The main advantages of these economic integrated bodies are: first, rational use can be made of capital, equipment, technology and resources and avoid unnecessary overstocking and waste of material and capital; second, less investment, quick implementation of projects, quick returns; third, they facilitate

mastery of new technology, development of new varieties of product and raise product quality; fourth, they facilitate the coordination of production, supply and marketing into a cohesive process, minimize intermediate links and enable production to better satisfy the needs of society; fifth, they facilitate overall economic accounting and raise the economic effects of the enterprises and the whole society; they promote competition among enterprises; sixth, they enable socialist competition to play an active role and encourage enterprises to tap their potentials, improve their technology and raise their management level.

To take the road of integration and develop economic cooperation, we need: first, to have coordinated policies; second, to strengthen leadership. Third, to insist on the principles of "equality, mutual benefit and self-dependence"; fourth, to have no "egalitarianism and indiscriminate transfer of resources" or eating "from a communal pot." Many places and units that have done this have had very good results. However, during the process of organizing economic integration, new circumstances and new problems have also arisen which require investigation and solution such as: how to strengthen unified planning, prevent some areas and units from emphasizing sectional interests which may lead to problems of blind production and duplicate construction of factories; how to protect socialist competition so as to promote integration through competition and further break out of the fetters of feudal economic thinking and thoroughly revise the concept and work style of absolute dependence on administrative measures for management of the economy; under conditions of joint management of capital and participation in various aspects of integration, how to correctly distribute and utilize the portion of profit earned by the integrated body, uphold the principle of distribution according to labor, and not to violate this principle. We believe that if only there is close coordination between practical workers and theoretical workers at every level in economic leadership, departments and serious attention is given to investigation and study, new circumstances and new problems will neither be hard to discover nor to solve and the economic organization of socialist economic integrated bodies that conform to the needs of modern socialized enlarged production cannot fail to play a great role in the great cause of our country's four modernizations.

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'JINGJI GUANLI' ON REFORM OF ENTERPRISES LEADERSHIP

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[Article by Ma Hong [7456 3163]: "Tentative Study on Reform of Leadership System in Industrial Enterprises" (excerpts of this article were printed in the REDDIN RIBAO 20 November 1980)--note slantlines denote boldface]

[Text] Both the reform of the economic administrative system and the extension of the decisionmaking power of enterprises involve the problem of the current system of leadership in industrial enterprises. Here I would like to put forward my personal views on this problem.

I. What Are the Existing Problems of the Current System of Leadership in Industrial Enterprises?

It was pointed out at the Third Plenary Session of the CCP Central Committee held at the end of 1978 that: The phenomena of mixing up the party with the government, replacing the government by the party and replacing enterprises by the government should be seriously dealt with and the competence and responsibilities of administrative organs and administrative personnel should be strengthened. At the Third Session of the Fifth National People's Congress held in September this year, it was again pointed out that failure to separate party and government and government and enterprises, made it difficult to establish an independent system for commanding production and for administration and economic management in enterprises.

All the causes of these problems are directly related to the current system of factory directors assuming responsibilities under the leadership of party committees in our industrial enterprises.

At the enlarged session of the Political Bureau held by the Central Committee for the preparation of the Third Plenary Session of the Fifth National People's Congress, the problem of reforming the leadership systems of the party and the country was the focus of discussion, which also involved the problem of reforming the system of leadership in factories. Comrade Deng Xiaoping pointed out in his speech that the phenomenon of overcentralization of power exists in our country's current system of leadership. Under the slogan of strengthening the party's unified leadership, all power was centralized in party committees inappropriately and without first making any analysis. The power of a party committee was again centralized in the hands of

a few secretaries, particularly the first secretary. The first secretary assumes leadership and makes decisions whenever anything comes up. The party's unified leadership has thus often been changed into one man leadership. This problem exists to a varying extent all over the country. This problem also exists in industrial enterprises. Sometimes it is particularly serious there. In a word, the system of a factory director assuming leadership under the party committee has often actually become the system of one man leadership by the secretary of the party committee. The masses of workers have composed a rhyme about this: Under unified leadership, the secretary is great. If anything is brought up, he has the final say." This gives a true picture of the situation in factories.

What are the drawbacks of the current system of the factory director assuming leadership under the leadership of the party committee?

/First, it is not conducive to really strengthening the party's ideological and political leadership in enterprises./

If an enterprise party committee administers the enterprise directly, it will surely be immersed in administrative routine matters and this will give rise to the abnormal phenomenon of the party not concerning itself with party matters and the phenomenon of the party replacing the government. Even punishment and dismissal of staff and workers are carried out in the name of the party committee. In fact, the party organization has become an ordinary administrative organ. This weakens and even cancels out the function of the party's political leadership in enterprises.

That socialist economic construction should be led by a political party of the proletariat is an unshakable principle. However, the realization of the party's leadership is not limited to adopting the methods of administrative leadership, far less is it necessary for party organizations at different levels to exercise direct administrative leadership over economic organizations at different levels. To place all the work of an enterprise under the direct leadership of the party committee and to place the party committee in the limelight for each problem usually results in politics being applied to everything and political movements prevailing over everything. And the production tasks of enterprises will then become secondary and will even dwindle into insignificance. Comrade Mao Zedong said long ago that production was the central task of an enterprise. However, in the past 10 years or more, under this system of leadership, production has not been the central task of an enterprise at all. Political movements have become the center.

/Second, it is not conducive to practicing democratic administration or to giving play to the superiority of socialist enterprises./

An important characteristic showing that socialist enterprises are superior to capitalist enterprises is to practice democratic administration and to rely on the broad masses of staff and workers being masters of their own house. With the party organization as the supreme organ of power in an enterprise, it is impossible to practice real democratic administration. Rallies of representatives of staff and workers are a very good creation in practicing democratic administration in our country's enterprises. However, at present, rallies of representatives of staff and workers are not yet supreme organs of power in enterprises. They have certain power in welfare and

in criticizing and supervising leading cadres of enterprises but they have no power to make policies for production, administration and management of enterprises. Nor do they have the responsibilities they should have. It is thus impossible to bring about the concern on their own initiative and enthusiastic efforts of staff and workers in the struggle to increase the results of production and administration of enterprises.

/Third, it is not conducive to giving play to the function of centralized and unified command of factory directors. It does not conform to objective requirements of socialized large-scale production./

A modern enterprise is a socialized large-scale production collective. It will not function without a powerful unified command. In our criticism of "one man leadership" in the past, if we meant to say that democracy was needed in making decisions on important matters, such criticism was worthwhile. But the experience of years of practice shows that in putting into effect the system of factory directors assuming responsibility under the leadership of party committees and the system of factory directors' division of work with individual responsibilities under the leadership of party committees, the function of centralized and unified command of factory directors is weakened. Whether it is a matter of great importance or of no consequence, it can only be settled by being collectively discussed by the party committee or spoken about by the secretary. The universal existence of such a phenomenon is an important reason why the efficiency in administering enterprises in our country is so low.

/Fourth, it is not conducive to giving play to the function of specialists./

Administration is a branch of science. Modern enterprises are based on modern production techniques. They also have complicated relations of internal and external coordination. It is impossible to organize production and administration activities properly without specialized knowledge and experience. After practicing factory directors assuming responsibilities under the leadership of the party committee, the power of administration of many enterprises is often centralized in the hands of cadres who do not know much about technology, economy or administration. They are not even willing to attend to these problems. As to cadres who have technological economic and administrative knowledge, they are often given the cold shoulder, discriminated against and even attacked. This seriously dampens their enthusiasm and hinders the growth of new technological cadres and administrative cadres. It also hinders the raising of production and administration levels of enterprises. In films and plays shown during the period when the gang of four ran amuck the surname of all factory directors and chief engineers was "White," and that of managers was "Money," and those who were in charge of production and technology were all "taking the capitalist and revisionist road." We have been constructing socialism for 30 years, but we have not yet trained large numbers of intelligent and capable entrepreneurs with technological, economic and administrative knowledge. We cannot say that this has nothing to do with our current system of leadership in enterprises. It was particularly so during the "Great Cultural Revolution." Most of the comrades who were then in power in enterprises did not know much about production, yet they were in command there while those who really knew about production were put to one side. This was called laymen managed affairs while professionals are put to one side. In struggling against the rightists in 1957, we once criticized the viewpoint of "laymen

being unable to lead professionals." We were then in the early stage of construction and there were not so many professionals. Now the situation has changed and we have already got a great number of professionals who possess specialist knowledge and have gone through political trials. If laymen are still asked to lead professionals, and if laymen are still administering affairs in enterprises while professionals are put to one side, this evidently is very improper. Objectively speaking, laymen can no longer be allowed to lead professionals if we want to modernize our enterprises.

/Fifth, it is not conducive to strengthening the legal system and to perfecting the responsibility system./

Rights and duties, and powers and responsibilities are contradictory entities. The reform of the economic system needs to extend the decisionmaking powers of enterprises, and at the same time, it is necessary to fix the duties and responsibilities of enterprises toward the state. Legally speaking, enterprises have the status of a legal person. Leaders of enterprises not only assume economic responsibility for the results of enterprise administration but also assume legal responsibility. A serious drawback of the current system is the separation of power and responsibility. The party committee exercises the right to make decisions, but it is impossible for the party committee or the secretary of the party committee to assume economic responsibility and far less is it possible for the party committee or the secretary of the party committee to assume legal responsibility as a legal person. In addition, a factory director does not possess the power of being fully in control. He cannot be the representative of a legal person. The current system of factory directors assuming responsibility under the leadership of the party committee has actually become the system of one man leadership of secretaries, giving rise to the separation of power from responsibility. He who has power is without responsibility. He can make decisions for this and that but he is not responsible for the consequences. Yet he who is held responsible is without power. How can a real system of responsibility be established in this way?

/Sixth, it is not conducive to enterprises practicing transdepartmental and trans-regional alliance according to objective economic laws./

Alliance of enterprises according to the principles of specialization and coordination and on the basis of voluntary participation and mutual benefit and reasonable economy is the inexorable trend of economic development. This kind of alliance calls for breaking the barriers between departments, professions, trade and regions, and adopts various forms. Besides, various forms of joint venture enterprises with Chinese and foreign capital will also come into existence owing to the introduction of foreign capital. If the highest level policymaking power of these enterprises is exercised by enterprise party organizations subsidiary to certain local party committees, this is evidently not right. Undoubtedly the supreme organs of power of enterprises in this category can only be joint committees or boards of directors. It is impossible for enterprise party committees to be supreme organs of power. However, no matter what the nature of the cooperative or joint venture enterprises may be, the party committees, as the party's grassroots organizations, can still exercise their functions of political leadership and supervision in enterprises so as to insure the implementation of the party's general and specific policies.

The situations mentioned above are not isolated ones. They are universal problems.

Some comrades think that the emergence of these problems is not because the system of factory directors assuming responsibility under the leadership of party committees is not good but because of problems in putting it into effect. That is to say, the prayer itself is good, but the monk has not recited it properly because he has a distorted mouth. If such is the case, we make ask: Why are there so many people with distorted mouths who do not recite the prayer properly? This is worth studying. As a matter of fact, the great majority of secretaries of party committees in factories are good and are resolute in executing the party's general and specific policies. Therefore, we cannot one-sidedly look for the causes of the above problems in the executors, that is, the secretaries of factory party committees and factory directors, but should consider whether the system of leadership itself is rational or not.

Why does this system of leadership give rise to the drawbacks mentioned above? The key point is that organizations with two different natures, the party organizations and the economic organizations, have been mixed up. The system of factory directors assuming responsibility under the leadership of party committees includes the system of leadership of party committees and the system of leadership of administrative organs. There is a difference between the two. The former are political organizations, but the latter are economic organizations. The former take care of ideological and political leadership while the latter are in charge of administration and management. Their tasks are different, their forms of organization are different and their working methods are different. So their leadership systems cannot be mixed together. Otherwise the phenomena of the party replacing the government and the party replacing enterprises are bound to arise. Viewed from the principle of organization, leadership of the party committee is collective leadership of the party committee and not leadership of the secretary of the party committee himself. The party organizations practice the system of centralism on the basis of democracy and democracy under centralized guidance and not the system of one man leadership. But administrative organizations of production in factories must have centralized, unified command. The system of one man assuming responsibility must be strictly practiced. It is impossible to have everyone assuming collective responsibility. The collective assumption of responsibility actually means that no one assumes responsibility. All this is determined by the characteristics of socialized large-scale production. If party organizations are asked to act according to the principle of organization of administration for production, that is obviously not correct.

In addition, we often mix up democracy in policymaking with centralization of command. In socialist enterprises, policymaking must be democratic and command must be centralized on a democratic basis. Command from multiple quarters caused by the party and government not being separated will not do.

As Comrade Deng Xiaoping has said, practice over a long period of time shows that our current system of factory management is not conducive to the modernization of factory management, nor is it conducive to the modernization of the system of industrial management or to perfecting the party's work in factories. Therefore reforms must be carried out.

## II. How To Reform?

Comrade Deng Xiaoping has proposed that the system of factory directors assuming responsibility and managers assuming responsibility under the leadership of party committees must be changed step by step and in a planned way. After making experiments and spreading progressively, we should practice respectively the system of factory directors assuming responsibility and the system of managers assuming responsibility under the leadership and supervision of factory administration committees, company boards of directors and joint committees of economic complexes.

Comrade Deng Xiaoping has also said that representative rallies or conferences of staff and workers must be universally set up in enterprises and institutions. They have the right to discuss and make decisions on important problems of respective units. They have the right to suggest to authorities at a higher level that incompetent leading members of their enterprises be recalled and to progressively elect leaders within an appropriate scope.

With the development of experiments on extending the decisionmaking powers of enterprises, enterprises will have more and more decisionmaking powers. Once enterprises have decisionmaking powers, who is to exercise these powers? And how are they to be exercised? This is a big problem. It concerns the leadership system of enterprises. Decisionmaking powers cannot only be given to a few responsible members of enterprises and institutions. They must be given at the same time to appropriate democratic administrative organs and supervisory organs in enterprises and institutions which really represent the broad masses of staff and workers. The transfer of power to lower levels must be combined with democratic administration. The greater the decisionmaking powers of enterprises, the more necessary it is to practice democratic administration. This problem was not solved properly when the system of party committees was practiced. Neither was it solved properly when the system of factory directors was practiced. Nor was it solved properly when the system of one man leadership of secretaries of party committees was practiced. Now that we are reforming the system of leadership of enterprises, we must solve this problem properly.

Historical experience at home and abroad has proved that in order to manage a modernized enterprise effectively, three kinds of power must be handled well, namely, policymaking power, the power of command and the power of supervision. Policymaking power is the power to make decisions on administrative direction, policy and major measures of enterprises.

The power of command means the power of administrative command over the routine activities of production and administration of enterprises.

The power of supervision is the power of overall supervision over enterprise policymakers and commanders. The aim of such power is to protect the rights and interests of enterprise owners.

These three kinds of power are both separated and symbiotic. Only in this way can the rights and interests of the state, enterprises and laborers be safeguarded and the indispensable efficacy of modernized enterprises be guaranteed.

In capitalist countries, these three kinds of power in enterprises are all in the hands of capitalists and their agents. Policymaking power and the power of supervision are usually exercised by capitalists, or policymaking power is exercised by boards of directors and the power of supervision is exercised by separately organized supervisory committees. The power of command is exercised by managing directors appointed by boards of directors or supervisory committees.

It also seems necessary to correctly handle the three kinds of power mentioned above in the system of leadership of socialist enterprises. The difference is that these three kinds of power all belong to laborers and their deputies.

Because of drawbacks in our current system of leadership in enterprises, in the past these three kinds of power were basically exercised by party committees in the capacity of laborers' deputies. Different views exist as to how these powers should be concretely exercised.

In making policies in the past, it was usually secretaries of party committees who had the say. There was no democracy in policymaking. In command, the system of factory directors' division of work with individual responsibility under the leadership of party committees was stressed and factory directors and deputy directors held themselves individually responsible to party committees. But factory directors were not fully empowered with a unified command, which meant that command was not centralized. In supervision, neither party committees nor administrative organs were supervised. As worker comrades said, rallies of representatives of staff and workers and the trade union were often "serving maids holding the keys who could never be masters of their own house." They did not function properly. As described by many units, "the party appealed, factory directors made reports, representatives raised their hands in voting and the trade union did odd jobs." This situation should of course be changed.

In future, these three kinds of power in industrial enterprises should be appropriately divided.

Here one point should first be made clear, that is, that the right of ownership of state-run enterprises belongs to the state. But enterprises have the right of utilization and control. Therefore, state-run enterprises not only have to abide by general and specific policies and decrees of the country, but also have to subject themselves to the guidance of state plans. The management power of state-run enterprises mentioned here means the management jurisdiction of enterprises as utilizers of the means of production.

/First, about the power of policymaking./

The policymaking power mentioned here of course means the power of enterprises themselves to formulate policy with respect to how to utilize and administer the means of production of enterprises entrusted and consigned to them by the state. It does not mean the policymaking power of the state in general.

It appears to be better than this power of policymaking should be exercised by rallies of representatives of staff and workers including administrative personnel, technical personnel and production workers, and by the standing organs of these

rallies, the factory administration committees. Only in this way can an enterprise be run as Engels said: "An integrated body of free and equal producers." Some comrades hold that this power should be exercised by the party committee, which in effect means not changing the current system.

If our enterprises are to resolutely take the socialist road, we must fully display socialist democracy within enterprises so that laborers can be real masters of the means of production. Engels once made such a prediction about the future society: "The countrywide centralization of the means of production will become the countrywide basis for a society of integrated bodies of free and equal producers. These producers will conscientiously participate in social labor according to common and rational plans." ("Selected Works of Marx and Engels" vol 2, p 454) It is such a society that we are building progressively. We must recognize that the broad masses of workers are masters of the means of production and recognize their status and function as masters of production.

In our present system of administration, the decisionmaking power in controlling the means of production is in the hands of factory party committees and leading cadres of the administration. The laboring masses in the forefront of production actually have no power of control over the means of production. This will easily give rise to bureaucracy and will dampen the enthusiasm of laborers. The party committee and leaders of a factory were originally entrusted by workers to run the factory and were not authorized by heaven. However, we have often reversed this relationship in the past.

Ownership of the means of production is not solely concerned with the problem of who owns it, but also who controls it. Only if the power of control is given to laborers in the forefront of production (including administrative cadres, technical personnel and workers) can ownership by the whole people be properly utilized to develop production, to insure that various measures conform to reality, to stimulate the enthusiasm of direct producers, to liberate the productive forces and to give play to the superiority of socialism. Therefore, it is of great significance to establish congresses of representatives of staff and workers with ample power or to establish congresses of staff and workers and their standing organs. It is also a very important reform of the system of leadership in enterprises. Many comrades suggest that the system of factory directors assuming responsibility under the leadership of congresses of staff and workers should be practiced and not the system of factory directors assuming responsibility under the leadership of factory administrative committees. There are grounds for this opinion.

As Marx said, under the capitalist system, the working class has nothing but labor. Under such circumstances, objective labor conditions and subjective labor force are separated and the product of labor and labor itself are separated. Under the socialist system, the working class has become the master of enterprises. Owners, controllers and laborers of the means of production have been integrated, that is, objective labor conditions and subjective labor force have been integrated and the product of labor and labor itself have also been integrated. This has solved the insurmountable antagonistic contradiction of capitalist society, namely, the contradiction between socialized production and private ownership of the means of production. Herein also lies the crucial point that the socialist system is superior to the capitalist system. This is also the objective material foundation on which

we can stimulate to the full the enthusiasm and creativeness of the broad masses of staff and workers.

The policymaking power of congresses of staff and workers for activities of production and administration of enterprises should include the following: Under the guidance of state plans, to work out long term and short term plans for enterprises, to decide on schemes for major technical reforms, to approve financial budgets and final accounts and to approve important rules and regulations; after fulfilling the tasks of handing over taxes and profits to the state, to determine the distribution of the fruits of labor, that is, the distribution for expanding reproduction, collective welfare, wages and bonus and reserve funds; and the appointment and dismissal of major cadres of enterprises, and so on. If the broad masses of staff and workers are really to be the masters of enterprises and be the real masters of their own house, they should have the power to decide these major problems. That is to say that rallies of staff and workers or congresses of staff and workers should not be looked upon merely as a means of "absorbing" workers to "participate" in administration, or at most for ordinary advice and supervision. We should proceed from the prerequisite that the broad masses of staff and workers are the masters of enterprises and see to it that rallies of staff and workers or congresses of staff and workers can really function as organs of power. The broad masses of staff and workers, being the working class, are not only masters of enterprises but also masters of the state and society. They are not only to run enterprises but to administer political affairs, economic affairs and other social affairs of state. Administration of enterprises by the broad masses of staff and workers is the foundation for their exercise of power to administer political, economic and other social affairs of state. It should be noticed that our socialist democracy is still very underdeveloped, whereas remnants and influence of feudalism exist to a serious extent. Bureaucratism, the patriarchal style of leadership, overcentralization of power and other phenomena have for a long time not been effectively overcome. This cannot be separated from the fact that the power of the broad masses of staff and workers to manage enterprises and institutions has not been sufficiently realized. It is only fair and reasonable for workers to run their own enterprises and to send out representatives to govern the country and society. The realization of the system of congresses of staff and workers will undoubtedly act as a powerful motivation for democratization in enterprise management, which in turn will greatly enhance the democratization of politics, economic management and social life in our country. This will bring about a profound influence on the undertaking of building socialism in our country.

/Second, about the power of command./

This is the power to command the routine activities of production management within enterprises. On the basis of policies formulated by rallies of staff and workers or congresses of staff and workers in enterprises, the power of command should be exercised by factory business committees headed by factory directors and managers together with a relevant powerful system for unified command of production, administration and management. There seems to be no great difference of opinion over factory directors and managers exercising the power of unified command over production, administration and management. What remains to be further discussed are problems of the composition of the factory business committees and how to nominate administrative cadres.

To practice democratic enterprise management, a head is needed anyhow. This is particularly so in socialized large scale production. Without centralized, unified command, it is absolutely impossible to run an enterprise well. As to the necessity for centralized, unified command, it will be dealt with later on. Judging from the interior of an enterprise, direct organization, planning, command, adjustment and accounting in the course of production must be unitary. Command from multiple quarters will not do. All the more is it impossible for everyone to assume responsibility since, in practice, this means no one assumes responsibility. Judging from the exterior of an enterprise, if an enterprise is considered as an economic organization and a legal person, its activities must be carried out by a responsible person on its behalf. It seems suitable to give such power to the factory director and manager of the enterprise.

/Third, about the power of supervision./

Different from the two kinds of power mentioned above, the problem of the power of supervision is not only an internal problem of enterprises. It is a problem which involves the state, that is, supervision of the activities of enterprises on behalf of the state. So it is more suitable for the nucleus of our country's leadership, that is, the party organizations, to exercise this kind of power. Only in this way can the implementation of the party's political line and the state's general and specific policies, decrees and plans be guaranteed and various kinds of work and tasks be fulfilled.

There are also different opinions concerning who should exercise the power of supervision. Some comrades hold that it should be exercised by congresses of staff and workers and their permanent organs, or by trade unions. This can be studied. It is not contradictory for party organizations to exercise this power, because supervision by the party can only be effectively carried out through the masses or their organizations.

It should be pointed out that the power of supervision is very important and it is not right to underestimate it. One of the important causes of many shortcomings in our past system of leadership lies in not having true supervision.

An important reform in the reformation of the system is to give the necessary power of decisionmaking to enterprises for independent administration and independent activities. But we must realize at the same time that our enterprises are under the unified leadership of the state. Policymaking of enterprises can only be within the scope of the state's unified general and specific policies and law, and be guided by state plans. Therefore, the party's supervision is supervision based on the whole interests of the country and the working class. It supervises not only leading personnel like factory directors and managers but also supervises factory administration committees and congresses of staff and workers. After the decision-making power of enterprises is extended, the contradictions between enterprises and the state, between enterprises and enterprises, between enterprises and staff members and workers, between partial interests and overall interests and between immediate interests and long term interests will become more complicated and greater care will be needed in handling them. Only if the party organizations uphold the stand of the working class and uphold the stand of the state can these contradictions be correctly handled so that the interests of the state, collectives and

individuals can be properly integrated and enthusiasm from different parts be fully aroused to serve the four modernizations.

Will the tasks of party organizations in enterprises be lessened after the reform of the leadership system of industrial enterprises? Comrade Deng Xiaoping has pointed out that after changing the system of factory directors assuming responsibility under the leadership of party committees, the tasks of the party organizations will not be lessened. But the work of the party will really be strengthened. Party organizations at different levels in factories, companies, schools and colleges and research institutes will have to take proper care of all party members, do a good job in mass work, help party members play an exemplary vanguard role in their respective posts, enable party organizations to really become mainstays in each enterprise and institution, and become organizations for educating and supervising all party members, and insure the implementation of the party's political line and the fulfillment of various tasks. This is perfectly correct.

Related to the division of the three kinds of power mentioned above is the problem of whether it is necessary to establish permanent organs of congresses of staff and workers. It seems that with the exception of small factories with less than 100 people, it is necessary to set up permanent organs with not too many people. There are also comrades who hold that the duties and responsibilities of permanent organs of congresses of staff and workers can be exercised by trade union committees on their behalf. This can also be considered. But this may weaken the necessary independence of the trade unions and may even put its work in a passive position. If the trade union is mixed up with the administration, the masses will make criticism saying that the trade union is an official one and a trade union in name only. So it needs further study to see which way is better. In addition, the power of congresses of staff and workers determined at "the Ninth" trade union congress can no longer completely suit the new situation after the decisionmaking power of enterprises is extended. Trade Union committees, as stipulated at the time, were simply organs of routine work for congresses of staff and workers. They will not be very well suited to the situation after the decisionmaking power of enterprises has been extended either.

Furthermore, will representatives of rallies of staff and workers and congresses of staff and workers adopt the permanent representatives system like the people's representatives who are not released from their regular work? And will the permanent representatives form different necessary permanent committees, such as committees and groups for rewarding and punishing staff and workers, for employing new staff members and workers, for distributing housing, and so forth? After problems have been studied and discussed by these organizations, decisions will be made by relevant quarters and the problems will then be handled by administrative departments. I think this opinion is worth considering.

The above discussion only considers factories as units. At present, enterprises in our country are developing toward economic integration. The system of leadership in an economic complex is different from that of a single factory or enterprise. It is more difficult for an economic complex to convene a congress of staff and workers. Therefore, a joint committee can be formed by representatives elected by each unit joining the economic complex to exercise the power of policymaking within the economic complex. Such joint committees are different from congresses of staff and

workers and administrative committees of factories and enterprises mentioned above. The former are formed by representatives of enterprises but the latter are formed by representatives of staff and workers. Therefore, they are different in nature. The former are legal persons and the latter are also legal persons. The former cannot replace the latter, much less deprive the latter of their powers. On the contrary, they should serve the latter properly. An economic complex should respect the decisionmaking power of each participating unit and should not take back the decisionmaking power they have obtained. The power of these units to make their own decisions should be further extended and not reduced. Otherwise, the enthusiasm of enterprises cannot be aroused and economic complexes cannot develop smoothly.

At present, according to the situation of our country, it is more appropriate for companies to adopt a system of leadership similar to that of an economic complex mentioned above with the exception of extremely few companies with highly concentrated supply, production, manpower, finance and materials (prudence is needed in organizing this kind of company) which can act as a legal person while their subsidiary units (actually similar to workshops or branch factories) actually lose their qualifications as legal persons.

### III. A Relevant Theoretical Problem

The system of factory directors assuming responsibility under the leadership of party committees is an important system in our present leadership of enterprises. This system was put forward to counter the system of one man leadership and to strengthen party leadership. Now we want to change this system. Does this mean that we want to restore the system of one man leadership and deny the leadership of the party? In order to gain a clear insight into this problem, it is necessary to know the origin of the system of one man leadership and what the system of one man leadership is. It is also necessary to know whether the leadership of the party is denied if the system of one man leadership is practiced.

As a theoretical approach, we will first talk about how the issue of the system of one man leadership was raised.

The issue of the system of one man leadership was raised by Lenin on the basis of the theory of Marxism. In "Das Kapital" Marx said, "All direct social labor or common labor of a considerable scale needs command in varying degrees to coordinate individual activities. A single violinist commands himself and a band needs a conductor." Marx called the function of command "a special function belonging to the course of social labor." ("Complete Works of Marx and Engels," vol 23, p 367) In "On Authority," Marx said, "To do away with authority in large-scale industry is the same as attempting to do away with industry itself, that is, to do away with steam spinning machine and to restore manual spinners." ("Selected Works of Marx and Engels," vol 2, p 352) It is clear that large-scale industry needs administration and requires unified, authoritative command. This is an objective necessity irrespective of whether enterprises are capitalist or socialist.

Lenin raised this problem after the victory of the October Revolution. In April 1918, he said in his article "The Current Tasks of the Soviet Regime": "Any large-scale mechanized industry—that is, the source and foundation of socialist material and production—needs without exception an unconditional and most strictly

unified will to guide hundreds, thousands and even tens of thousands of people working together. Such a necessity is evident no matter whether you judge it from the technological, economic or historical point of view. All those who want to realize socialism will consistently admit that this is a requirement for the realization of socialism. But how can we guarantee that our will is most strictly unified? The only way is for the will of hundreds and thousands of people to submit to the will of one man." "Anyhow, in order to insure the smooth progress of such work organized according to the pattern of large-scale mechanized industry, it is absolutely necessary to submit to a unified will." ("Selected Works of Lenin," vol 3, pp 520-521)

After the victory of the revolution in the Soviet Union, the system of collective administration was practiced. Whether there are some points in common between this system of collective administration and our current system of factory directors assuming responsibility under the leadership of party committees can be further studied. But one thing is certain, the system of one man leadership advocated by Lenin was raised to counter the system of collective administration. In the same way, our system of factory directors assuming responsibility under the leadership of party committees was put forth to counter the system of one man leadership. They adopted the system of one man leadership when the system of collective administration no longer worked, while we are changing from the system of one man leadership back to the system of collective administration. Lenin said, "Talk concerning collective administration is often permeated with a kind of extremely ignorant spirit, the spirit of countering specialists. With this spirit, we cannot attain victory. To win victory, it is necessary to understand the complete and protracted history of the old world of the bourgeoisie. To build communism, it is necessary to master technology and to master science, which must be utilized by the broad masses of people. And the only way to obtain this kind of technology and science is from the bourgeoisie." Lenin repudiated the Mensheviks and members of the Socialist Revolutionary Party. He explicitly pointed out: "This will not do! We have already abandoned this stuff." ("Complete Works of Lenin," vol 30, p 42) Lenin had analyzed this problem. He said, "The system of collective administration, as a basic form for organizing Soviet administration, was a kind of essential embryo needed in the early stage, that is, the stage in which everything needed reconstructing." Lenin did not deny the necessity of collective administration in a certain stage and under certain conditions. "However, when the form of organization has been determined and has become more stable, the system of one man leadership must be adopted so as to carry on practical work, because this system can best guarantee rational utilization of manpower and can best guarantee inspection of work in action not in words." He also said, "Even with a system of collective administration functioning at its best, a large amount of manpower is bound to be wasted. It cannot guarantee the speed of work and the precision of work demanded by the environment of concentrated large-scale industry." ("Complete Works of Lenin," vol 30, pp 278-279) It can be seen that Lenin did not talk about this problem in an abstract way. He put forth this problem on the basis of the experience and lessons drawn from the practice of the Russian revolution and construction. Therefore, we must have a comprehensive understanding of the problem of the system of one man leadership and consider the reason why Lenin raised this problem, the background, and how he raised it.

Stalin also favored the practice of the system of one man leadership. He once said, "Workers often complain: 'There is no one to make decisions in the factory,' and

'there is no order in work.' We can no longer stand the situation whereby our enterprises are being turned from production organs into parliamentary-style organs. Our party organizations and trade union organizations should understand after all that if the practice of the system of one man leadership is not guaranteed and if rigorous rules and regulations for responsibilities in the course of work are not established, we will not be able to fulfill various tasks in transforming industry." Stalin also put forth criteria for setting up the system of one man leadership. He said, "People often ask: 'Why don't we have the system of one man leadership? Until we have mastered technology, we cannot and will not have a system of one man leadership. Until there are sufficient outstanding people who have a perfect command of technology, economy and finance among us, among the Bol'sheviki, we cannot have a true system of one man leadership.'" "The task is to make ourselves master technology and become professionals. Only in this way can we insure the complete fulfillment of our plans and can the system of one man leadership be put into practice." ("Complete Works of Stalin," vol 13, p 36) Stalin's words are an inspiration to us.

Judging from the practice of our socialist construction and the experience and lessons in enterprise management, the problems raised by Lenin and Stalin are worthy of our serious consideration and serious study. Enterprise management needs the kind of one man leadership mentioned by Lenin. This is not determined by anyone's subjective will but determined by the nature and characteristics of modern large-scale production. The fact that the system of factory directors assuming responsibility under the leadership of party committees often changes into the system of one man leadership of secretaries of party committees also highlights this problem. It is either the one man leadership of factory directors or secretaries of party committees. It must be either one or the other. The question is whether it is better to practice the system of secretaries of party committees assuming responsibility to practice the system of factory directors assuming responsibility. The practice of the past 20 years or more has already provided a clear answer. If unified command is not practiced, that is, if the system of factory directors assuming responsibility worthy of its name is not practiced and leadership from multiple quarters and command from multiple quarters are practiced, it will bring "great catastrophes" to enterprises, as Stalin pointed out.

Some comrades hold that if the system of factory directors assuming responsibility is practiced, is the leadership of the party then canceled out? Of course we must uphold the leadership of the party. The kind of system of one man leadership which denies the leadership of the party is entirely wrong. Can our current system of factory directors assuming responsibility under the leadership of party committees truly realize the leadership of the party? Did Lenin's system of one man leadership abandon or counter the leadership of the party in enterprises? We should analyze these problems carefully. First of all we should see what ideas Lenin's system of one man leadership actually included.

Lenin's system of one man leadership can be summed up as follows:

1. Production of industrial enterprises must submit to unified command. This is indispensable in modern large-scale production. Therefore he wanted "the will of hundreds of thousands of people to submit to the will of one person," and "asked the masses to submit unconditionally to the unified will of leaders in the course of labor." ("Selected Works of Lenin," vol 3, p 521)

2. Strict labor discipline and strict system of responsibility must be observed. Lenin said: We must "set up a strict system of responsibility for various posts and must unconditionally carry out instructions and orders in a disciplined and willing fashion, so that economic organs can really work like a clock or a watch." ("Complete Works of Lenin," vol 27, p 193)

3. Each laborer must strictly fulfill his own duties and responsibilities. Each man must be responsible for the kind of work he is in charge of. Lenin said: "The responsibility of each person for a certain kind of work must be most clearly defined." ("Complete Works of Lenin," vol 29, p 398)

4. Leaders of different units must be held entirely responsible for the work of their respective units. A factory director is held entirely responsible for the work of production, administration and management of the whole factory. Lenin said: "The basic principle of administration is—a certain person must be held entirely responsible for a certain kind of work that he is in charge of." ("Complete Works of Lenin," vol 36, p 554)

What has been summed up above may not be exact and complete, but those requirements should be insisted on in managing our enterprises. Therefore we should restore the spirit of the system of one man leadership explained by Lenin, because it is needed by modern large-scale production. If we really want to practice the system of factory directors assuming responsibility, we should also endow the system of factory directors assuming responsibility with the contents and requirements mentioned above. Otherwise, it is not a true "system of factory directors assuming responsibility." Doing this is not contradictory to strengthening the party's leadership of enterprises. If we go ahead and do what Lenin advocated, we are not canceling out the party's leadership at all, but are, on the contrary, enhancing the strengthening of the party's leadership. The reason is very clear. If leaders of the administration take over responsibility for the work mentioned above, will this not enable the party committees to concentrate their energy on doing a good job of the party's work and on strengthening the party's leadership?

The spirit of the system of one man leadership mentioned above concerns the power of command within enterprises. It does not include the power of policymaking and the power of supervision. If these three kinds of powers are all concentrated in the factory directors, it is wrong. But if these three kinds of power are all given to party committees, party committees will be tied up by various types of routine work and will not be able to concentrate their energy on the work of the party. The work and tasks of party committees in enterprises have long been clearly stipulated in provisions concerning the basic tasks of the party's grassroots organizations in the party constitution. Party committees in enterprises are the party's grassroots organizations and they should try their best to fulfill the basic tasks stipulated in the party constitution. The system of one man leadership explained by Lenin does not hinder party committees from fulfilling these tasks but will create very favorable conditions for fulfilling these basic tasks.

In strengthening the party's leadership, party committees of enterprises need not directly meddle in the concrete professional work of enterprise administration and need not direct their main attention to administrative routine work. Otherwise the phenomenon of the party not concerning itself with party work will arise and

the party's leadership will be weakened and even canceled out. If party committees do not make efforts to do party work well and to complete the basic tasks of the party's grassroots organizations stipulated in the party constitution, but spend a lot of time and energy on specific production and professional work which should be done by factory directors and administrative organs, there will be a danger of the party's work being pushed aside.

The leadership of party committees in our enterprises is chiefly concerned with leadership in implementing the party's line, and general and specific policies. It is not directly concerned with giving orders to administrative organs. Party organizations should, by means of the exemplary role of party members and the party's cadres, influence, mobilize and organize the masses to implement the party's line and general and specific policies and to fulfill various tasks set by the party and the state. In doing mass work, the party can only use the democratic method and the method of persuasion and education. It cannot use the methods of coercion, compulsion or administrative orders. In the past few years, the fine tradition of the party in this respect have been seriously damaged by Lin Biao and the gang of four and we should restore it.

To sum up, to manage socialized large-scale production, there can only be one organ of power and there cannot be several organs of power standing side by side. There can only be an authoritative unified command and there cannot be command from multiple quarters where the party is mixed up with the government, the party replaces the government and the party replaces the enterprises. In our current system of factory directors assuming responsibility under the leadership of party committees, party committees have power but they are not held responsible and factory directors are held responsible but they do not have the power of command. Actually it is very difficult for factory directors to be really responsible. Therefore, in the reform of the system of economic management, this system of management must undergo necessary changes so that power and responsibility can be unified in order to meet the needs of the realization of the four modernizations. Of course, this system of factory directors assuming responsibility in which power and responsibility are unified does not mean that only one man has the say. It does not mean a system of the dictatorship of factory directors who place themselves above the masses and above the party committees. It means the system of factory directors assuming responsibility under the supervision of the party's organizations, the organizations of the trade unions and the broad masses of staff and workers.

The system of leadership and management of our country's industrial enterprises has undergone several changes. In the beginning, the system of party committees was practiced and later the system of factory directors. It was because each had its drawbacks that the system of factory directors assuming responsibility under the leadership of party committees was practiced. However, the problems mentioned above arose. In summing up past experience, we have discovered that in putting into practice the three kinds of administrative system above, there is one common failing, that is, we have not proceeded from the prerequisite that the broad masses of staff and workers are the masters of enterprises and that the working class is really exercising the power of administration. This lesson should be kept firmly in mind and this problem should be effectively solved during this reform.

The present reform of the system of leadership and management of industrial enterprises can roughly be summed up in the following few sentences: Separation of party and government, democratic administration, factory directors assuming responsibilities, professionals taking command, stressing administration, improving management, independent accounting and assuming responsibility for one's own profits and losses.

We must pay attention to economic results. In the final analysis, the goodness or badness of a reform will be reflected in the economic results. If a reform can attain the best economic results, then this is proof of its success.

Reform is a rather complicated matter. Starting from 1956, we have been practicing the system of factory directors assuming responsibility under the leadership of party committees for more than 20 years. Enterprises have already become accustomed to it and it influences every aspect of their activities. The central government has decided to carry out the reform with preparation and step by step. During the reform, different views should be discussed and studied in order to collect reasonable views for making experiments. Various experiments can also be carried out so as to make comparison. In this way, it will be possible to complete this significant reform gradually with a few years' effort. The realization of this reform will forcibly promote the cause of building the four modernizations.

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## NATIONAL POLICY AND ISSUES

### ECONOMIC JOURNAL DISCUSSES SOCIALIST REPRODUCTION

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[Article by Feng Haohua (7450 3185 5478): "A Brief Talk on Socialist Simple Reproduction and Enlarged Reproduction"]

[Text] I. Simple Reproduction Is the Basis of Enlarged Reproduction

According to the Marxist viewpoint, the process of social reproduction is divided into two basic forms: namely, simple reproduction and enlarged reproduction. This is considered to be an important principle of Marxist theory on social reproduction.

Proceeding from the study of capitalist social reproduction, Marx pointed out explicitly that "simple reproduction is a kind of reproduction carried out on a scale which remains unchanged." Enlarged reproduction is "reproduction on an enlarged scale." ("Das Kapital," Vol 2, People's Publishing House 1957 Edition, pp 567, 560). That is to say, production carried out repeatedly on the former scale is called simple reproduction while production carried out on expanded scale is enlarged reproduction. This distinguishing Marxist principle applies not only to capitalist reproduction but to the socialist one as well. The difference is that capitalist reproduction is reproduction of surplus value based on the private ownership of the means of production. Whether or not part of the surplus value is used in accumulation is the yardstick distinguishing capitalist simple reproduction from enlarged reproduction. On the basis of public ownership of the means of production, socialist production aims at striving to obtain the maximum best value both in quantity and quality at minimum labor costs and to meet the ever-growing needs of all the working people. Whether or not part of the national income is used in accumulation for production has become the yardstick which distinguishes socialist simple reproduction from the enlarged one.

Drawing a demarcation line between simple reproduction and enlarged reproduction enables us to have a clearer understanding of the difference and relationship of these two categories of reproduction. Reproduction in any social formation which is the unity of simple and enlarged reproduction. Enlarged reproduction contains simple reproduction, but there is no enlarged reproduction without simple reproduction. Though simple reproduction is the primary

feature of reproduction in society prior to capitalism, yet in that historical stage there is certain enlarged reproduction which is small in scale and slow in growth rate. Otherwise, society can hardly progress. Capitalist society manifests itself in enlarged reproduction, but during a crisis period simple reproduction or even reproduction which is reduced in scale may emerge. Compared with capitalism, socialism has the possibilities of enlarged reproduction at a higher speed. However, erroneous line policies, incorrect directives or any endeavors which run counter to the objective laws will lead to the occurrence of simple reproduction or reproduction on a reduced scale. This is obviously an abnormal instance of reproduction but not a general law. Marx said: "In various kinds of social economic formations, there is not only simple reproduction but also reproduction on an enlarged scale, though these two types of reproduction vary in degrees." ("Das Kapital," Vol 1, p 656)

It is obvious that simple and enlarged reproduction are two different types of social reproduction. Social reproduction always ranges from simple reproduction to enlarged reproduction. Simple reproduction is not only a matter of theory but a real objective factor in the reproduction process. It is wrong to ignore it.

Simple reproduction is invariably the basis of enlarged reproduction, the main component of enlarged reproduction, while enlarged reproduction is the development and improvement of simple reproduction. Marx said: "The material basis of enlarged reproduction is the products of the components making up simple reproduction." ("Das Kapital," Vol 2, p 560) This is an important theory guiding social reproduction.

During the period of the later 1950's and the early 1960's, some people in our country took an one-sided view that socialist society exclusively engages in enlarged reproduction. They denied the fact that there was simple reproduction in socialist reproduction and negated the Marxist principle that simple reproduction was the basis of enlarged reproduction. Divorced from the previous production scale and disregarding the objective basis of simple reproduction, they expanded the production scale and broadened the scope of capital construction in a blind and subjective way with the result that instead of enlarging reproduction, they could not even maintain simple reproduction.

Take the agricultural production of Qinghai Province for instance. Qinghai Province has a history of agricultural production for more than 2,400 years. By 1949 when the province was liberated, the cultivated acreage of the province reached 6.7 million mu. After liberation, the province expanded by 1 million mu the acreage cultivated through 10 years of great efforts, and it was extended to 7.7 million mu by 1958. Grain output increased yearly. The agricultural productive force built up thereafter was the outstanding accomplishment when compared with that of the old society. However, the grain output of the whole province still remained insufficient and the province had to depend on state support. Agriculture, being the weak link in the province's economy, seriously affected the development of industry and other undertakings within the province. In order to solve this contradiction, in 1959 the province formulated a policy of "taking land reclamation as the key link" without making any investigation or

study and blindly drew up a grand but unrealistic plan to open up 5 million mu of new land in the single winter-spring farming period of that year. This was contrary to natural law and economic laws covering agricultural production. The plan was nothing but a pipedream because it was out of the reach of the province's manpower, finances and material resources as well as the level of agroscientific technology. At that time, whoever expressed any objections or views to the contrary was most certainly branded as a "right deviationist." In the hulabaloo of "Combating Right deviation," that erroneous "Left" policy was carried out forcibly and most of the manpower, finances and material resources of the province was concentrated on bringing new land under cultivation. Being prone to boastfulness and exaggeration, the so-called target was set at 10,000 jin per mu or 1,000 jin per mu on an average for each county. What did the result prove? In the agricultural field, while one-sided emphasis was put on land reclamation, the existing cultivated land was not sufficiently tilled. On the one hand wasteland was reclaimed and on the other cultivated land abandoned, thus the agricultural output decreased drastically. In pastoral areas, regardless of the characteristics of natural conditions, every district and county was asked to turn itself into a grain base, and become self-supporting with surplus in grain, to replace livestock breeding with agricultural production and to cultivate virgin soil in a big way. All these activities not only destroyed the grassland but affected the development of livestock production. As the weather was unsuitable, the frost-free period short, the sowing hard, people could hardly gather even the seeds, let alone engage in enlarged reproduction. Most of the newly cultivated land had to later be restored to pastoral areas. All these caused great damage to the agricultural production and livestock breeding in 1960. The output of agriculture and livestock breeding decreased sharply and the living standard of the people was lowered. Not only could not enlarged reproduction be achieved but even simple reproduction was barely maintained. The trend of the agricultural production and livestock breeding in Qinghai Province was a big "U" shape. Serious disproportion between industry and agriculture caused extremely heavy losses to the province's economy. This is a historical lesson that the people of the whole province should bear in mind.

Practice repeatedly proved socialist enlarged reproduction should be based on simple reproduction. If not, we are bound to commit great mistakes. The reasons are as follows:

First, socialist enlarged reproduction is enlarged reproduction advancing in successive stages and expanded on the basis of the previous year's production scale. Marx said, "Simple reproduction is a part of annual reproduction on an enlarged scale--the most important part, so to speak." ("Das Kapital," Vol 2, p 457) Viewed from either use value or output value, simple reproduction accounts for over 90 percent of the total volume of enlarged reproduction, and in agriculture in particular, the percentage is even higher. Thus, to maintain the previous year's production scale of use value, renew and improve conditions for production is the proven basis and preconditions for further expansion of socialist reproduction. Only by giving priority to ensure simple reproduction, can enlarged reproduction emerge. History has proved that it is impossible to attain in one step the highest level of reproduction if we are divorced from simple reproduction.

Second, the production scale built up in the previous year is the basis of the enlarged reproduction of the following year. Marx said: "So long as there is accumulation, simple reproduction is part of accumulation. In studying simple reproduction, we find that it is an actual factor of the means of accumulation." Therefore, apart from maintaining the needed simple reproduction of the means of production and those of livelihood as well as surplus products, the scale of value shaped by the previous year's enlarged reproduction including the means of production and livelihood is the material conditions for expanding reproduction for the following year. We should exceed this material limit, otherwise we can commit errors. Only under the condition that superiority should be given to the current production and capital construction is carried out according to our capabilities, can we avoid making mistakes. If we exceed the proportionate line of accumulation funds out of the national income, which capital construction supplies, we may commit mistakes of spreading out on too wide a front in capital construction. Therefore, the capital construction projects should be successfully completed one by one before going on to a new one. The state funds should not be kept idle for a long time, construction period should not drag on and investment results should be brought into full play. This principle is also applicable to the relations between simple reproduction and enlarged reproduction in every sector of the economy.

Third, the development of the planned national economy should be based on simple reproduction. A high target plan can never be proportionate. When I worked in the Qinghai Provincial Planning Commission at the end of 1959, I never laid down such a high target plan. At that time, many leading comrades had their heads turned by successes in the bumper harvest of agricultural production in 1958. The actual grain output of the whole province in 1959 was only more than 1 billion jin but we planned that the grain output by 1962 should reach the target of 10 billion jin. To work to accomplish this output, the scale of industry and other undertakings of economic construction had to be arranged accordingly. As a result, every department vied with one another in requesting the various economic departments of the central government to supply investment and equipment to expand capital construction. For this reason, the province formulated a colossal plan to develop agriculture, industry and communications and transportation. While making overall planning, we found that we were short of manpower. So we had to recruit new workers from other provinces by every possible means. Consequently, people flowed blindly into the province. As agricultural production suffered from serious natural calamities in 1960, we discovered that the major targets of the national economy were divorced from the objective basis of simple reproduction and from the reality of the province's power, funds and materials as well as the then level of science and technology. As a result, the major targets could not be fulfilled and the proportions of the national economy were disrupted one by one. We realized that the objective law for developing the national economy in a planned and proportionate way lay in a relations between simple reproduction and enlarged reproduction. The production scale developed in the previous year and production conditions are the basis for drawing up the proportions and growth rate of the plan of the national economy for the following year. Otherwise, the various plans worked out for expanding reproduction will be nothing more than "castles in the air."

## II. Two Basic Forms and Ways of Socialist Enlarged Reproduction

Marx divided enlarged reproduction into two basic forms: extensive and enlarged reproduction. This is another important principle of Marxist theory on social reproduction. How should we distinguish extensive enlarged reproduction from intensive enlarged reproduction? Marx said, "production is expanded year after year because of two reasons: first, because the capital invested in production increases constantly and second, because the production efficiency brought into use is becoming greater and greater." ("The Theory on Surplus Value," Vol II p 519) Here, Marx not only expounded explicitly the principle of the dividing line to distinguish whether the enlarged reproduction is extensive or intensive, but also put forward the principle of two sources of enlarged reproduction: one is the resource of accumulation and the other is that of nonaccumulation. Accumulation is related to extensive enlarged reproduction and nonaccumulation to intensive enlarged reproduction. According to Marxist theory, providing the technical conditions and the methods of production remain unchanged, the expansion of production scale and increase of output of products caused by the increases of the means of production and amount of labor resulting from accumulation are regarded as extensive enlarged reproduction, and the expansion of production scale and increase of output of products caused by improvement in quality of the existing means of production and productive forces and the advance of technology as well as the elevation of labor productivity are known as intensive enlarged reproduction.

Therefore, whether the enlarged reproduction is extensive or intensive can be judged by whether it is caused by accumulation or by the increase of labor productivity.

These two forms of enlarged reproduction are not only different but also coordinated.

The introduction of new technology and equipment, the increase of newly set up enterprises and the improvement and development of new technology caused by accumulation show that the socialist production is expanding extensively. This means that the production scale is broadening. It is at this stage that socialist enlarged reproduction moves from the extensive enlargement into the intensive enlargement and gives rise to the increase of labor productivity of the whole process of reproduction and the acceleration of the development of intensive enlarged reproduction. The development of intensive enlarged reproduction, the increase of national income and accumulation caused by the increase of total labor productivity indicate that the socialist production has developed in depth and the socialist enlarged reproduction is extending from intensive enlarged reproduction to extensive enlarged reproduction. In the practice of socialist reproduction, extensive enlarged reproduction and intensive one proceed simultaneously. Finally, it is the advance of technology and the increase of labor productivity that give rise to the enlarging of socialist reproduction.

## 1. On Extensive Enlarged Reproduction

The extensive enlarged reproduction mainly depends on the accumulation of the state and the collective. The scale is restricted by the accumulation funds of the state and the collective and by the state funds, resources and manpower. In the 30 years since the founding of New China, some localities and departments have spent the state accumulation funds extravagantly and the resulting waste and losses they have caused has been terribly shocking. Therefore, how to bring the investment results of accumulation funds into full play is a serious task unsolved for a long time.

What are the fundamental channels for extensive enlarged reproduction?

### A. Through the Channels of Capital Construction

Capital construction is the major means and way for maintaining the existing production scale, expanding to a new production scale and increasing the means of production. Capital construction is the reproduction of fixed assets. The reproduction of fixed assets is the process of constant compensation, renewal and enlargement of fixed assets. It includes the two forms of reproduction of fixed assets: simple and enlarged. The former compensates the losses of the old fixed assets with new fixed assets or replaces the obsolete technology and equipment with new ones. The funds needed come from depreciation funds of the fixed assets. The latter is to increase the volume of fixed assets and raise the level of the equipment of fixed assets. It does not compensate the losses of the old value but increases the new value of fixed assets. The funds are collected from the accumulation funds of the national economy and not from depreciation funds of fixed assets.

The simple reproduction of fixed assets is carried out generally through overall repairs. However, overall repairs cannot totally bring about the simple reproduction of fixed assets. It needs the purchasing and building up of new fixed assets by which the damaged fixed assets or the fixed assets which have loss value can be replaced. Owing to the advance of technology, the replacement of fixed assets is generally carried out in accordance with a new technical basis.

The realization of modernizations depends to a greater extent on capital construction. However, the expansion of capital construction lies in the scale of state accumulation. In order to sufficiently expand capital construction and accelerate the realization of the four modernizations, the relations of the following aspects must be handled correctly.

First, correctly handle the relations between compensation and renewal on the one hand and the building up and upgrading of fixed assets on the other.

In the past, enterprises turned their depreciation funds into the state financial department and the state arranged the planning of capital construction in a unified way. In so doing, the state had to concentrate its main efforts on building and enlarging capital construction projects. Thus, the compensation and renewal of fixed assets were squeezed out and the scale

of simple reproduction of fixed assets was hardly guaranteed. This is a defect in the financial management of state funds. The depreciation funds of enterprises should be retained within the enterprises for their own disposal so that they can either repair or replace the existing fixed assets and ensure the proceeding of the simple reproduction of enterprises. Only by doing so can they plan to build up and upgrade old ones according to the needs and possibilities.

Second, correctly handle the relations between capital construction and the current production.

The scale of capital construction is decided by the volume of the means of production and livelihood as well as labor forces supplied by agriculture and light and heavy industries for expanding reproduction. However, capital construction is carried for the sake of production. The enlargement of the production scale is contingent on capital construction. Therefore, capital construction and production are mutually inseparable and complementary. Production determines capital construction and supplies the latter with a material base. Capital construction provides conditions for production. Capital is aimed at promoting production and capital construction itself is the outcome of production. In the process of socialist enlarged reproduction when contradiction between capital construction and production occurs, the former should first of all give way to the latter and priority should always be given to the former. The scale of capital construction should be enlarged on the basis of ensuring the growth of production, on the one hand, the scale of capital construction should not bring hard to production; on the other hand, preventive measures should be taken to avoid the situation whereby people only engage in the current production and ignore the tempo of capital construction so as to hamper the completion and timely operation of the new production efforts.

Third, correctly handle the relationship between the key points and the common points of capital construction.

At all times the guideline of capital construction is the unity of the key points and the common points. This conforms to the requirements of the objective economic laws. In the process to realize the four modernizations within our country by the end of this century, if we draw no serious lessons from the practice over the last 30 years and pay no attention to what is important and what is urgent and let the capital construction projects go on neck and neck, we are bound to run counter to the objective economic laws. That is incompatible with the interests of the people of the whole country.

Fourth, correctly handle the relations between productive construction and nonproductive construction.

Productive construction is the basis of all capital construction. Only when production develops, can there be nonproductive construction and can the cultural and material living standards of the people be improved. Nevertheless, nonproductive construction such as cultural and educational construction and

scientific research construction can in turn serve and promote production and guarantee the raising of the cultural and material living standards of the people. In arranging capital construction, the following general principle should be adhered to: in proceeding from production, top priority should be given to productive construction, but simultaneously nonproductive construction such as scientific research, education and the well-being of the people should be arranged as well.

Fifth, correctly handle the relations among various proportions of capital construction. 1) It will not do to simply keep balance the amount of investment in currency of capital construction with the amount of value of the means of production used for capital construction. 2) The quality, quantity, varieties and specifications of the means of production used for capital construction and supplied by the industrial department should be adapted to the arrangement of the capital construction projects.

The amount of investment in capital construction should correspond not only to the possibly-added means of production but to the possibly-added means of livelihood.

#### B. Through the Channel of Modernization of Science and Technology

Practice in many countries has proved the great significance of the development of science and technology to the development of social productive force. The realization of modernization of science and technology is the only way out for expanding social reproduction in our country. Comparatively speaking, the level of production technology in China is backward. Agriculture is still based on manual labor. Compared with the economically developed countries, our industry, national defense, communications and transportation as well as science and technology lag behind, generally by 15 to 20 years. In order to speed up the realization of our four modernizations and expand reproduction at a higher speed, the party Central Committee has decided to adopt a policy of introducing advanced technology from abroad. This is an important decision and it is very necessary to do so, because every country has its own strong points and weak points, advanced and backward sides. On the basis of self-reliance, we have introduced advanced technology so as to learn from other countries' strong points to offset our weaknesses, to benefit the laboring people with the commonwealth of mankind and quicken the pace of our economic construction. History has repeatedly proved that the introduction of advanced technology and equipment by the economically backward countries from developed ones is a prerequisite for enabling the former to catch up with and surpass the latter, because the former can obtain the results of scientific and technological research in a shorter time than the latter and avoid losses caused by the twists and turns practiced by others. With regard to imported technology and equipment, we should not copy them blindly and mechanically. Instead, we should select, analyze, distinguish and combine them with the actual conditions of our country and digest, improve and develop them, thus enabling them to grow and bear fruit on our soil.

In such a big country as ours, we cannot succeed in developing science and technology merely by depending on the introduction of technology from abroad. We should have a foothold on self-reliance at home and build up our own

scientific research force and technical system. Vitrally important inventions, endeavors ranging from the training of personnel to research, experiment, trial production, operation and technical popularization needs increased equipment, investment and manpower. Judging from this angle, it comes under the category of extensive enlarged reproduction. However, the development of science and technology is bound to extend into the various sectors of the current production and carry out the technical reform of the existing structure of production, thus causing the rapid increase of labor efficiency and the extension of production within existing enterprises. Judging from this angle, it belongs to intensive enlarged reproduction.

#### C. By the Channel of Full and National Use of National Resources and Expansion of the Scope of Production

To make good use of natural resources for developing productivity is an inevitable trend of socialist enlarged reproduction. For instance, fertile virgin land can be turned into arable land, luxuriant grassland into pastoral land and natural minerals (such as opencut coal, iron ore of high quality and copper ore) can be developed into a mining industry. Under socialist public ownership, in the case of expanding the scale of enlarged reproduction by using natural forces gratis, there are no longer such obstacles that cannot be overcome as in the case of private ownership under capitalism. Nevertheless, natural resources should be taken care of and protected and exploitation arranged in a rational and planned way. Disruptive exploitation should be strictly banned and attention paid to the ecological balance.

#### 2. On Intensive Enlarged Reproduction

The accumulation funds of the state and the collective are invariably limited in a certain period of time. Therefore, intensive enlarged reproduction has a unique and important position.

Intensive enlarged reproduction is enlarged reproduction based on the scale of simple enlarged reproduction without increasing investment and labor forces substantially and is accomplished by the means of increasing labor productivity. Compared with extensive enlarged reproduction, intensive enlarged reproduction has the characteristics of being quick in economic returns with less money spent on it. In those years, in expanding enlarged reproduction, our country depended mainly on intensive enlarged reproduction. The existing enterprises have great potential. Only by giving free scope to the potential of the existing industrial and agricultural production, can we stride forward in an earnest and down-to-earth manner. This is a fundamental base from which our country can expand enlarged reproduction and march towards the four modernizations. If we ignore and divorce ourselves from this base, we will not be able to advance toward the four modernizations. All enterprises, whether publicly-owned by the whole people or collectively-owned, should focus their main energy on doing a better job in intensive enlarged reproduction. This is a correct guiding principle which has major practical and long term significance.

At present, the quality of the products of many enterprises in our country is low, production costs expensive, consumption of materials and manpower high and income cannot keep up with consumption. This state of affairs runs counter to the basic socialist economic law and the needs of socialist enlarged reproduction. If these enterprises fail to turn losses into gains in a short time, their continued existence will come into question. It is necessary to adopt effective measures and make the various technical economic targets come up to the advanced level. This is considered to be one of the primary tasks for our country in order to achieve the four modernizations.

CSO: 4006

## NATIONAL POLICY AND ISSUES

### WANG BINGQIAN SPEAKS ON GROUP PURCHASING POWER

OW232206 Beijing XINHUA Domestic Service in Chinese 1410 GMT 23 Jan 81

[Text] Beijing, 23 Jan (XINHUA)--At a telephone conference held this evening, the national leading group for controlling social organizations' purchasing power under the State Council called on all social groups to adopt the method of responsibility by leadership in ensuring sound financial work in order to increase control and reduce purchasing power, conserve expenditures for nonproductive purposes, make more commodities available to meet the needs of urban and rural areas and contribute more to eliminating financial deficits, maintaining the market balance and stabilizing commodity prices.

The telephone conference was presided over by Duan Yun, head of the leading group. Speaking at the conference, deputy head Wang Bingqian pointed out: Under the conditions last year when comparatively major developments were achieved in all fields of work and large numbers of new organs and personnel were established and employed throughout the country, the purchasing power of social groups increased by only 10.2 percent, lagging far behind the increase of 21.8 percent in people's purchasing power. This shows that various localities had done a good job in controlling social groups' purchasing power. However, many problems also exist. For instance, some units have gone in for ostentation and extravagance. The number of sedans bought by some localities was three times more than in 1979. According to statistics compiled from 20 provinces, municipalities and autonomous regions, the number of sedans purchased with approval in the first three quarters of 1980 was 4,400 more than in the corresponding period of 1979, or an increase of 64 percent.

On behalf of the leading group, Wang Bingqian urged all localities to strengthen their leadership over the task of controlling social groups' purchasing power. The leadership of each unit must earnestly assume responsibility and put purchasing quotas under control. In financial management, it is necessary to set up special accounts, map out commodity purchasing plans and put the role of financial supervision into full play. The good or poor results in handling the task of controlling groups' purchasing power should be regarded as one of the criteria for evaluating a unit and the performance of its financial personnel and accountants.

Wang Bingqian proposed that with the exception of the newly established units and except for certain conditions, the purchase of 32 special commodities controlled by the state, such as sedans, sofas and carpets, is absolutely prohibited.

Touching on the questions of how to transform the management of social groups' purchasing power, Comrade Wang Bingqian said: Beginning in January 1981, the commodity purchasing certificates of social groups will be abolished in most localities. Instead of relying primarily on the sellers to control the quotas, the quotas will be put under the control of the buyers in order to keep pace with the changed situation. A supervision and inspection system must be established following the implementation of this new method. All localities and departments should constantly work together to conduct mutual inspection and supervision as well as to exchange experience. Each province, municipality and autonomous region should organize general inspections or inspections in selected units and areas once or twice a year. A joint inspection will be conducted throughout the country in the second quarter of this year.

Wang Bingqian called for still greater efforts in promoting the spirit of building an enterprise through arduous effort and of doing everything industriously and thriftily. Commendations and encouragement must be given to all advanced units and individuals who have always calculated carefully and budgeted strictly, practiced economy, worked hard, led plain lives and acted strictly in accordance with regulations. It is necessary to criticize and educate the units and personnel who have caused losses and waste to the state in violation of policies and regulations. Cases of serious violations and losses must be dealt with severely.

The conference was attended by members of the leading groups for controlling groups' purchasing power from each province, municipality and autonomous region, and from cities in each province and autonomous region. Experiences regarding the control of social groups' purchasing power were introduced at the conference by the personnel concerned from Shanghai Municipality and Hebei Province.

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## ECONOMIC PLANNING

### PRC JOURNAL ON ENTERPRISE PROFITS, LOSSES

HK151456 Beijing JINGJI GUANLI in Chinese No 12, 15 Dec 80 pp 26-28

[Article by Gu Zongcheng [7357 1350 2763]: "On Some Problems Concerning the Responsibility of State-Run Enterprises for Their Own Profits and Losses--A Preliminary Inquiry Into the Trial Implementation of Responsibility for One's Own Profits and Losses by Five Enterprises in Sichuan Province"]

[Text] In Sichuan Province, there are five state enterprises which since the beginning of this year, have been conducting experiments for "independent business accounting, taxation by the state, and responsibility for one's own profits and losses." These five enterprises consist of one factory in Chuanmian, the Chengdu Wire Factory, the Chongqing Watch and Clock Company, three printing houses in Chongqing, and the Xinan Electronics Factory (hereafter called simply the "old five enterprises"). After more than half a year's experimentation, remarkable economic effects have in general been achieved.

The main characteristic of the experimental points for responsibility for one's own profits and losses operated by these old five enterprises in Sichuan Province is the substitution of taxes for profits. The net income created by the enterprises is no longer handed over to the state in the form of "taxes" or "profits." Instead, it is handed over to the state treasury in the form of income tax, industrial and commercial tax, and fixed assets tax. After the enterprises have completed the task of paying taxes, and have paid back the bank loan together with interest, the remaining profit is allocated among the enterprises for the setting-up of a production development fund, a collective welfare fund, a reward fund, and a reserve fund. At the same time, in order to insure a close correlation between the income of the enterprises' staff and workers and the standard of management of the enterprises, we should establish a link between total wages and profit. That is to say, total wages should grow in a fixed proportion to the growth in total profit. If the enterprises incur a loss due to poor administration or bad management, we should first use the reserve fund to meet it. If the reserve fund proves to be insufficient for adjustment, not only should the whole staff not be able to distribute bonuses, but also their basic wages should be affected. Naturally, the enterprises' right to act for themselves is given an added boost.

Since responsibility for one's own profits and losses enables the enterprises' powers, responsibilities and profits to become more closely integrated with each other and

enables the enterprises to have a greater say in their own production management activities and development, the enterprises are more than ever brimming with vitality, are dancing even more actively on the stage of the socialist economy, and are achieving even better economic results. Therefore the implementation by the state enterprises of "independent business accounting, taxation by the state, and responsibility for one's own profits and losses" is a significant readjustment of the economic relationship between the state and the enterprises and a basic restructuring of the management system of the enterprises. However, the operation time of the experimental points for responsibility for one's own profits and losses has after all not been very long. Besides, this matter touches upon various aspects of the management system, and upon many problems concerning theory and policy. Therefore, we need to perfect this gradually in the course of putting it into practice. Looking at it from the problems encountered by the five enterprises in Sichuan in the early stages of putting it into practice, the following few problems need further study and research:

1. On the Problem of a Reasonable Limit to and an Objective Basis for the Ratio of Distribution of Profits Between the State and the Enterprises.

Responsibility for one's own profits and losses is a common management principle among independent commodity producers, but it needs to be restricted by its relationship with the ownership system. Responsibility for one's own profits and losses being operated at present by the state enterprises is the responsibility for one's own profits and losses which arises after the state and the enterprises have set a fixed profit distribution ratio. It is of a relative and incomplete nature. It is more appropriate that the profits of the enterprises obtained by the state through various modes of tax collection should account for the greater proportion of the enterprises' total profits. This is a basic problem encountered when deciding on the type of tax or the interest rate. The fixing of this proportional relationship is determined by the enterprises' relationship with the ownership system and by the form of the economic management system, together with the objective economic needs of the enterprises after their implementation of responsibility for one's own profits and losses: it is also determined by the situation of national economic readjustment and the financial capacity of the state.

In our country, the present system of ownership by the whole people appears in the form of the state ownership system. The handing over to the state of a substantially large slice of the profits created by the enterprises in the form of taxation is precisely the concrete embodiment of their relationship with this ownership system. Our country is a great socialist state with a large population, a poor foundation and an imbalance in the economic development of each area. Every necessary item of expenditure by the state needs a reliable back-up. Therefore, the state treasury needs to amass a fixed amount of capital. This is the objective requirement of the general and long term interests of the state. However, we should not concentrate too much or work too rigidly, for we need to give the enterprises and the localities the necessary powers and benefits. As for the enterprises implementing responsibility for one's own profits and losses, apart from the depreciation fund which should be kept in use in its entirety, the exploitation of potentialities within the enterprises, innovation, transformation, the expansion of reproduction and the collective welfare of the staff and workers are all matters which should be settled by the enterprises themselves. This also requires a fixed amount of

capital. According to estimates, this required amount should roughly account for 30-40 percent of the enterprises' profits. In view of the fact that the state treasury is at present still having difficulties, an appropriate reduction should still be made in the distribution ratio among the enterprises. The ratio obtained by the old five enterprises is more than 30 percent. When the sphere of the experimental points is expanded, Sichuan Province intends to clinch the matter temporarily with a ratio of not more than 25 percent of the enterprises' income. The income of the enterprises in this context is a computation criterion employed at present in Sichuan Province. It includes the charges on the trial-manufacturing of new products, comprehensive rewards, welfare funds and so on which are listed as part of costs. It is not the concept of profit distribution. From the point of view of profit distribution, only the enterprise fund truly belongs in the category of enterprise's income. According to estimates of the parties concerned, its ratio is a mere 11.19 percent (slightly higher in the old five enterprises). Whether or not this distribution ratio is reasonable, especially the question of where its objective limits lie, still needs to be studied thoroughly.

## 2. On the Problem of the Income Tax Rate

The main aspect of the restructuring of the tax system is that the enterprises are now paying income tax to the state instead of handing over profits. How should the income tax rate be determined? At present, each of the old five enterprises has its own rate. This is arrived at by subtracting the enterprise fund and the welfare funds, the training fee of the staff and workers, the charges for the trial-manufacturing of new products and so on--which the state requires to be left in the hands of the enterprises--from each enterprise's total profit for the year 1979. The ratio of the remaining sum to total profit is the income tax rate, and once it has been fixed, it cannot change for 3 years. The shortcomings of this method are: first, each enterprise has its own rate, which is not convenient for the formulation of tax laws or conducive to popularization; second, the problem of the uneven distribution of hard times and good times among the enterprises has not been solved. According to thorough estimates recently compiled by the departments concerned in the municipalities of Luzhou and Chongqing on several hundred enterprises, if the income tax rate is lowered, revenue due to the state cannot be guaranteed; if the tax rate is raised, many enterprises will just be able to pay income tax, and a substantial portion of the enterprises will not be able to pay even income tax. If such a situation arises, not only will the problem of the uneven distribution of hard times and good times be difficult to solve, but many enterprises will ask for a tax reduction or exemption. In practice, this will result in a system whereby each enterprise has its own rate, which is extremely difficult to carry out. As for the present, while the first concern is to guarantee the afore-mentioned total ratio of profit distribution, an income tax rate of 50 percent or slightly higher would be quite appropriate.

## 3. On the Problem of Fixed Assets Tax

After the charging of an appropriations indemnity with respect to fixed assets and liquid funds, impelling the enterprises to economize on the appropriation of fixed assets and liquid funds and thus speeding up the turnover of funds has an important effect on changing the "communal meals" set-up. Fixed assets appropriation tax

(or charge) is in the nature of a profits distribution. It is in the form of the state sharing the enterprises' profits with reliance on its proprietary rights over the means of production. At the same time, it has the effect of adjusting the uneven distribution of hard times and good times among the enterprises as far as their economic interests are concerned, which has been brought about by differences in the standard of their technological equipment. In order to reflect its economic substance more accurately, it would apparently be more precise to call the fixed assets appropriation indemnity a "tax" instead. Furthermore, it should not be counted as a cost and should ideally be paid out of the enterprises' profits after the industrial and commercial tax and income tax are paid. As for the level of the fixed assets tax rate, we can proceed from the actual conditions, collecting at first at a low tax rate. When the standard of administration and management of the enterprises has been raised, this too can be suitably raised. The fixed assets tax of the old five enterprises is collected at the monthly rate of 2 percent of the original value. The appropriations charge rate laid down recently by the Ministry of Finance varies according to the trade, being at the respective monthly rates of 2 percent, 3 to 5 percent, and 5 to 8 percent of net value. Collecting the charges at this rate, there are quite a few enterprises in many localities whose profits are just sufficient to meet the fixed assets appropriation charge, or which, after paying the charges, have to incur a loss. We are therefore of the opinion that the introduction of this tax has important economic effects and should be widely implemented. However, the level of the tax rate should reflect actual conditions, in that we can first collect at the lower limit or at a level which represents half of the lower limit.

#### 4. On the Problem of Differential Income Regulation Tax

Since the implementation of responsibility for one's own profits and losses, the size of profits has become the most important comprehensive criterion in judging the enterprises' standard of management. However, at present, due to the unreasonableness of the prices and of the current tax rate, and the difference in the conditions concerning the enterprises' technological equipment and natural resources, it is difficult for fluctuations in the enterprises' profit level to reflect the standard of administration and management. According to statistics of the departments concerned, there is an almost hundredfold difference in the levels of the capital profit rate of different trades and enterprises throughout the country. In order to bring the initiative of all the enterprises into play, we must through taxation, reduce to state ownership the excess profits netted as a result of external factors. We must also create for the enterprises a more or less impartial external factor, that is to say, we must create a common "starting point." To this end, besides introducing the fixed assets tax and, when necessary, the resources tax, there is still the need for regulation by means of other kinds of taxes. But if we were to regulate merely by means of a general "income regulation tax," it would be difficult to distinguish the relationships between the profit level and the subjective and objective elements. It would also be difficult both to adjust the uneven distribution of hard times and good times which has been brought about by the objective elements and to protect and encourage the extra profits made as a result of subjective efforts. Finally, it would be difficult to adapt to the different situations of the large, medium-sized, and small enterprises and of the new and old enterprises. At present, the most obvious reason for the uneven distribution of hard times and

good times among the enterprises is the price factor. But as long as an overall rectification of prices is not yet possible and the current total price level needs to be maintained for the time being, a reasonable method for adjusting the uneven distribution of hard times and good times among the enterprises brought about as a result of the price factor would appear to be the restructuring of industrial and commercial taxes and the levying of a product tax. That is to say, after deducting average costs and average profits, which are calculated according to the average capital profit rate, from the current product price, the remaining amount is collected in the form of a product tax. However, in order to implement this method, detailed statistics and calculations are required, making it difficult to implement at the drop of a hat. Therefore, Sichuan's method is the following: After safeguarding the reasonable economic interests of the enterprises and collecting income tax and a fixed assets tax, it takes the ratio of the remaining profits to the enterprises' total sales as the regulation tax rate, which is to be used in the computation of the income regulation tax. From now on, the extra profits obtained by the enterprises as a result of improvements in administration and management should be left in the hands of the enterprises. This is another simple, convenient and easy-to-implement transitional method for which we can opt.

##### 5. On the Problem of Establishing a Correlation Between the Income of the Staff and Workers and the Standard of Administration of the Enterprises

Since the implementation of responsibility for one's own profits and losses by the enterprises, the latter have been shouldering a heavier responsibility. If well-managed, per capita income should be higher than in the other enterprises. This stands to reason. The old five enterprises have established a correlation between wages and profits. Furthermore, they have removed the wage fund from the costs account, paying it together with the enterprises' after-tax profit. If the enterprises incur serious losses, there is the danger that they will not be able to distribute wages. If the enterprises make a profit, they can distribute job subsidies and wages, and can promote the staff and workers. This has a positive effect in encouraging the enterprises to improve their administration and management. However, the problem of how to put this method into practice remains to be solved. We are of the opinion that we should enliven the wages and rewards of the enterprises, implementing responsibility for one's own profits and losses, so that the enterprises can better embody the principle of distribution according to labor and answer to the demands of responsibility for one's own profits and losses. At the same time, in view of the experience and lessons obtained from the restructuring of systems in other countries, the state must control both the growth of the capital construction scale and total wages. But it seems that the most suitable method of control is to control the limits of growth of total wages (including the rewards and the bonus fund which are not included in costs.) Within the stipulated limits of growth, and under the principle of safeguarding the basic unity of the wage system, the enterprises have the right to nimbly apply their skills and to take control in accordance with their own actual conditions. Specific methods can be created and perfected gradually during implementation. When taxes are reduced due to the fact that an enterprise has incurred a loss, the state must also lay down a "protection line" to insure that the minimum wage of the staff and workers does not fall below the level of this protection line, and should further lay down for the leading cadres of the enterprises a reasonable method of distributing rewards. The principle has

now been put forward, but there has still been no breakthrough with regard to putting it into practice.

#### 6. On the Problem of the Introduction of Local Tax

Within the confines of a municipality and of a district, after the all-round implementation of responsibility for one's own profits and losses by the enterprises, a great change will take place regarding the local treasury's source of income. This will not be the profit handed over in accordance with the enterprises' subordinate relationship, but will be that levied under various modes of tax collection. Among these, besides the apportionment among the various modes of tax collection, the introduction of a local tax is another important source. As regards the design of the type and rate of local tax, we must again be realistic, so that it will enhance the regulatory effects of tax collection. Sichuan is a crowded place where an average person has only 1 mu of cultivated land. In the last 20 years, land which has been appropriated for various kinds of construction amounted on the average to 700,000 mu per annum. This has an important bearing on Sichuan's agricultural development. Therefore, among the various future construction undertakings, we need to pay special attention to the economization of land. In this context, the introduction of a local tax appears to be all the more necessary. At the same time, since the buying and selling prices of many daily necessities are at present in a state of disorder and are being subsidized by the treasury, the localities have had to foot a substantially large bill. According to the statistics of the municipality of Chongqing, just the four items of grain, gas, meat, and vegetables have required subsidies of 50 yuan per annum from the population of each municipality. Therefore it stands to reason that an urban services charge should be collected according to the number of workers and staff members. The first thought is that a local tax should include the above two items. This tax, regardless of whether we are dealing with a central enterprise or a local enterprise and of whether the enterprise makes a profit or a loss, must be paid, so that it may be used toward the cause of development by the localities of urban public facilities and services.

The points of view expressed above merely constitute a preliminary inquiry and are not necessarily correct. As there are the problems of how the external factors at work in the implementation of responsibility for one's own profits and losses by the enterprises should be gradually overcome and of how the management systems of various quarters should be correspondingly restructured. There is also the problem of how, in accordance with the general conception of restructuring the system and the situation of national economic readjustment, to insure that the restructuring at all stages, where demands may differ and overlapping may occur, continues gradually on its transitional path and progresses at a steady pace. These are all important problems which urgently require deep study.

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## ECONOMIC PLANNING

### PRC JOURNAL ON RESPONSIBILITY FOR PROFITS, LOSSES

HK131037 Beijing JINGJI GUANLI in Chinese No 12, 15 Dec 80, pp 29-32

[Article by Sichuan first cotton textiles printing and dyeing plant: "Responsibility for One's Own Profits and Losses Is a Great Motivational Force for Developing Production in Enterprises"]

[Text] Following the trial expansion of our plant's decisionmaking power last year, our plant further experimented with year with the system of "independent accounting, tax collection by the state and responsibility for one's own profits and losses," under which the enterprise pays the industrial and commercial taxes, the tax on fixed assets and the income tax to the state and assumes responsibility for its own profits and losses. With the expansion of the decisionmaking power of the enterprise, the enterprise takes on heavier political and economic responsibility. Its enthusiasm for doing its part in accomplishing the four modernizations is greatly aroused and it plans in every way to quicken the steps to modernizations. This year, a new step has been taken, with very pleasing results.

From January to September this year, our plant sold 89.28 million meters of printed and dyed cloth. This was an increase in sales of 21.6 percent over the same period of last year. The actual profit realized reached 44.02 million yuan. This was equivalent to 140 percent of the profits for the whole of last year. Compared with the same period last year, the increase was 196 percent and a net increase of 21.61 million yuan was made. Actual practice has thus shown that responsibility for one's own profits and losses brings great vitality to enterprises.

Judging from this experimental work carried out by our plant, we feel that responsibility for one's own profits and losses is a great improvement over the method of dividing the profits on a percentage basis. It has the following advantages:

1. Helps the Enterprise To Further Increase Production and Practice Economy and Achieve Even Better Economic Results

Last year, the method employed in experimenting with expansion of decisionmaking power called for the division of the profits on a percentage basis. The enterprise would keep 5 percent of the planned profits and 20 percent of the profits in excess of the plan. This linked the good or bad performance of an enterprise with its economic interests. It aroused the enthusiasm of the enterprise and helped to promote

production. This year, after adopting responsibility for its own profits and losses, the enterprise is required to separate wages, welfare funds and rewards from production costs and pay for them out of the profits belonging to the enterprise after deduction of taxes. In this way, the interests of the state, enterprise and workers and staff are joined together even more closely. In particular, the interests of each and every worker and staff member are linked more closely with the good or bad performance of the enterprise. Under this year's method, the good performance of an enterprise can bring more revenue to the state, more profit retention for the enterprise and more income to the individual worker. But in the event of a poor performance, the enterprise may not even be able to pay the basic wages and salaries of the staff. Thus, each and every worker and staff member has increased responsibility and in particular the responsibility of the head of the plant is much heavier. Under this new situation, we came to the conclusion that we must fully tap the potential for increasing production and practicing economy and must tightly grasp increasing production and practicing economy for the purpose of increasing production and receipts, thereby tightly grasping the initiative in our work. Accordingly, we organized competition campaigns to increase production and practice economy. We made timely checks on the development of these activities in our various departments. We linked competition and rewards together and also linked moral encouragement and material incentives together. Good results were achieved in the first half of this year. In addition to the substantial improvements in the quantity of output, quality of the products, and value of output and profits, definite results were achieved in practicing economy. Thus, in the first half of the year, savings of over 50,000 kilograms of cotton and of over 100,000 kwh of electricity were made while the production cost as a whole was reduced by 3.28 percent. The turnover of funds was accelerated from 80 days last year to 67 days this year. Compared with last year, 17 more varieties of printed and dyed cloth and some 670 different colors and designs were added. Chemical fiber fabrics made up 40 percent of the plain cloth output and 23 percent of the printed and dyed cloth output. Of the increase in profits of 14.8 million yuan in the first half of this year over the same period of last year, 33.7 percent was accounted for by an increase in quantity, 20.3 percent by lowering production costs and 46 percent by readjusting the composition of the product structure.

## 2. Helps in Utilization of Enterprise's Own Funds, in Tapping Hidden Potentials, in Renovating and Restructuring, and in the Technological Rebuilding and Expansion of the Productive Force of the Enterprise in a Planned Way

The expansion of decisionmaking power provides the enterprise with advantageous conditions for tapping hidden potential, renovating and restructuring. It makes us deliberate on the best way to raise the production level of the enterprise, increase the productive force, and expand reproduction. Of the 11 million yuan of our own funds, 7.4 million yuan (70 percent) were devoted to tapping hidden potential, restructuring and renovating, and to expanding the productive forces, and notable results were achieved. We invested 1.5 million yuan of our own funds in building a printing and dyeing production line with an annual output capacity of 10 million meters of polyester fabrics. It was completed and put into operation and our entire investment was recouped--all in the same year. In addition, a profit remittance of 2.3 million yuan was made to the state while we retained 1.37 million yuan of profits for ourselves. This year, under guidance of the state plan, we are building

a chemical fiber printing and dyeing production line capable of turning out 20 million meters of products a year. We plan to invest 3 million yuan of our own funds on the project. Building of the earthwork began in the second quarter of this year. The project will be ready for trial production in the second quarter of next year. At the same time, in order to raise the level of modernization of the plant's equipment, we plan to spend 850,000 yuan on renovating the spinning equipment and 1.6 million yuan on building a refrigeration unit with a freezing capacity of 3.76 million kilo calories. Additionally, we will install 10 small air-conditioning units. To solve the problem of the inadequate supply of water, electricity and steam for production development, we also plan to spend 1.2 million yuan on changing the transformer, adding steam and gas pipelines and building a high-pressure gas container. Completion of these projects will increase the plant's present production capacity of 90 million meters of printed and dyed cloth a year to 110 million meters a year. This year, we are building a second chemical fiber printing and dyeing production line. It consists in its entirety of equipment for producing full-width knitted products and has a production capacity of 5 million meters of pure chemical fiber fabric a year. In order to allow this set of equipment to attain its full capacity and at the same time to raise the modernization level of our plant, we have decided to replace the several hundred looms of various obsolete types at present with new full-width looms. In addition, in the next 2 years we shall build a branch plant turning out pure chemical fiber fabrics and equipped with 20,000 spindles and 300 sets of full-width looms. If all these plans are fully implemented, then not only will the production capacity of our plant be enlarged and part of our equipment be renovated, but also the deficiency of Sichuan Province in the production of pure chemical fiber fabrics will be eliminated.

Following the fulfillment of the above plans, we are prepared to speed up the renovation of the existing plant equipment and to gradually replace this 1950's vintage equipment with that of the 1970's and to increase the automation rate.

If we carry out the above plans in the next few years, our plant's profits will increase steadily, say, to 50 million yuan this year, 60 million yuan next year and 70 million yuan the year after next. We shall then be making even greater contributions to the state.

### 3. Helps the Work of Regulation by Market Mechanism Under Guidance of the State Plan

With the adoption of responsibility for one's own profits and losses, the enterprise has definite power to decide on production plans and on the marketing of its products, under the guidance of the state plan. This enables the plant to make production arrangements in accordance with market needs. Production and marketing are joined together and the work of regulation by market mechanism is facilitated. We have come to understand that to do a good job of market regulation and to have the products correspond to market needs and able to compete with other products, we must grasp firmly the three important links of quality, variety and price.

The production objective of socialist enterprises requires that the quality of products must be continually improved. This is also required by the dual nature of the commodities and the law of value. This year, due to the fact that cotton

supplied to our plant was low in quality, mostly of low grade having many short fibers, and generally in a poor state of maturation, our efforts to improve product quality have been greatly affected. Facing these difficulties, we mobilized our entire staff to struggle firmly for "new and celebrated brands and for quality products," trying in every way to turn out good yarn and good cloth with the use of low-grade cotton. We stepped up quality control on an all-round basis. We used fishbone charts, flow diagrams and systematic control charts to analyze the existing problems on quality control, constantly solving these problems according to the "PDCA" (as published) cycle. Our plant has set up a special office for creating celebrated brands, and at each workshop we also set up a leadership group for the same purpose. Additionally, 15 three-combination assault units were formed to tackle these quality problems. As a result, more than 80 measures were evolved and adopted. Our plant held three report-and-examination sessions for "creating celebrated brands and striving for quality products," three sessions to assess and select product designs and three sessions to compare and appraise the quality of the stocks of materials inside the plant. By means of this work, we were able to improve the quality of our products. Our "Jade Bird" Brand printed-flower serge was cited as one of the celebrated brands in a national survey appraising the quality of textile products. Improvement of the quality of our products has increased their competitive power in the market, and they are well received by the consumers.

The problem of product variety has an important bearing on doing a good job of market regulation. Over the past 2 years, we have organized special units to handle market survey and product designs. The plant's leadership went personally to commercial departments to solicit their views and suggestions. The plant itself set up retail sales departments to find out directly the consumers' opinions. New varieties of products have been continually produced and each year new products have been offered to the market. In the first half of this year, items with new colors and designs in our products numbered 670 more than in the same period of last year. Besides, two of the designs were awarded second prize in a national survey of product designs. In the second half of this year, we plan to trial-produce six more new varieties in preparation for next year's production.

Simultaneously with grasping the quality and variety of products, we made use of the leverage function of prices. In our determination of the price of a product, we considered on the one hand the level of the purchasing power of the consumers and their psychological reactions and on the other hand how to utilize the price factor to improve the competitive power of our products. When we decided on the production of a new product, we first of all determined the price of the product and put it slightly lower than that of a similar product manufactured in other textile production areas (such as Shanghai). At the same time, the price had to be in accord with the purchasing power of the market. On the basis of this price, we decided on the raw materials to be used for this product and arranged for their procurement. Efforts were then made to insure the good quality of the new product. In this way, because the new product commanded a slightly lower price than that of similar products of about the same quality, it was very competitive and well accepted by the consumers. Although the per unit profit was slightly lower than that of its competitors, more of it was sold on account of its good quality and cheap price. There were thus more orders and profits still increased greatly.

#### 4. Helps in Further Restructuring the Management System and Raising the Standard of Management of the Enterprise

Last year, our plant carried out an initial restructuring of the management system and achieved definite results. This year, following the adoption of responsibility for one's own profits and losses and after learning from the experiences and lessons of last year, we have continued and further grasped the work in this connection.

1) We made certain changes and improvements in the system of rewards. Last year, we adopted the point system in distributing rewards. This year, based on the method adopted last year, we made certain changes and gave each point an assigned value of 0.08 yuan. Irrespective of the grade of the rewards, be it first, second or third, an eligible employee was given a reward equivalent in amount to the product of multiplying the point value of 0.08 yuan by the number of points he received in his performance evaluation. We also revised the targets for rewards. Some of the targets were simplified and the targets concerning production costs were given added weight so as to draw the attention of the units to the need of practicing economy. In the three principal departments of spinning, knitting and dyeing, we are also prepared to implement the systems of assessing target fulfillment, dividing profits in percentages and combining competitions and rewards, hoping in this way to link together the individual employee's interests with the economic results of the work shop and the department concerned.

2) We grasped business accounting on an all-round basis. All-round business accounting constitutes an exceptionally important foundation work in the management and control of our socialist enterprises. In April of this year, we organized a special team to study the development of this type of work and a group of comrades were sent to Shanghai to learn from the practices there. In May, based on the advanced experiences of our fraternal units in Shanghai and in combination with the actual conditions in our plant, we formulated the four-grade business accounting regulations with detailed provisions for their implementation. The plant proper, branch plants, workshops and teams were taken as the four grades of accounting units. Under the accounting system for the grade of branch plants, current prices were used to compute profits and the method of controlled division of profits on a percentage basis was utilized in order to even up the disparities between the spinning, knitting and dyeing departments. The accounting system for the workshops followed Shanghai's "fixed-profit method" according to which the per capita profit of the branch plant was used to work out the fixed profits of the workshop under it. Consequently, the fixed profit per unit of output of the workshop was found, taking into account the product varieties and the quantity of output of the workshop. Then the actual gross profits of the workshop were obtained by means of analyzing the increase or decrease in profits. As for the business accounting of the teams, the principle of "accounting for whatever labor or management work is expended" was adopted and this was limited to the principal targets of output quantity, quality of products and amount of materials and labor force consumed. The plant proper also ran one session of business accounting study classes which trained more than 150 people.

3) We also plan to proceed further with the restructuring of the administrative structure within the plant. This would be done on the basis of restructuring work done last year on our management structure. We contemplate setting up four branch plants, namely, spinning, weaving, dyeing and motive power. Heads of the branch

plants and heads of workshops will adopt their own responsibility system. Party organizations in the branch plants and workshops are responsible for supervising the fulfillment of production and other tasks of their relevant plants or workshops. By means of this restructuring, our plant will have built up a comparatively complete four-grade control structure and a powerful production command under the leadership of the head of the plant. This will be particularly helpful to production development.

#### 5. Helps in Bringing Into Full Play the Role of the Workers and Staff as Masters of the Plant and in Doing a Good Job of Democratic Management

Expanding the decisionmaking power of enterprises and doing a good job of democratic management work are two important matters which are closely connected with each other. Following the adoption of responsibility for one's own profits and losses, the fate of the enterprise and that of the staff are closely intertwined as a result of which the staff will naturally be more concerned with the good or bad performance of the enterprise in production or in business operations. They will want to know more about the management of the enterprise. Since the extensive masses of the workers and employees are in fact masters of the enterprise, they should exercise the expanded decisionmaking power in their own right. Complying with a directive from the Provincial Party Committee, we established a system of convening congresses of workers and staff, under the leadership of the party committee. In June, new representatives of the workers and staff were elected and a congress of workers and staff were elected and a congress of workers and staff was held 6 months in advance. The meeting reviewed and assessed the work report of the head of the plant, discussed and passed the "regulations governing democratic management" elected and put into being a "democratic management committee" and adopted motions on the distribution of the accumulated funds of the enterprise.

Generally speaking, as a result of the 6 months' experimentation with responsibility for one's own profits and losses, the development of our plant's production was greatly expedited. Why is it that responsibility for one's own profits and losses has such great motivating force? The crux of the matter is that after realizing responsibility for one's own profits and losses, the relationship between the state, the enterprise and the staff becomes more rational and their interests are even more closely joined together. This serves to greatly arouse the enthusiasm of the enterprises and of the workers and staff. Naturally, this experimental work is still in its early stage and some of its requirements must be further improved, but in the course of our experimental work, we feel that the following problems must still be solved:

(1) The raw materials we use at present are all allocated by the state according to plan. If the enterprise wishes to increase production it faces the problem of not having sufficient raw materials. We hope that besides making the planned allocations, the state will open up some avenues whereby the enterprise can procure additional raw materials. Would it be possible to allow the enterprise to establish direct contact with the units supplying the raw materials and purchase the additional raw materials required?

(2) Part of the equipment in our factories has become obsolete. It has been found that the cost of renovation is more than that of buying new equipment. For example,

renovating an old carding machine costs about 10,000 yuan. Buying one of the latest models costs only 6,000 yuan and including installation charges the total cost will not exceed 8,000 yuan. Moreover, the quality of a renovated old machine can hardly match that of a new one. We anxiously hope that we can replace part of our equipment. At the moment, we cannot procure its allocation from above and even though we have money we cannot buy it ourselves.

In addition, at present the method of collecting the tax on fixed assets on the basis of the value of the assets is not beneficial to the enterprise renovating its equipment, since each renovation will add to the value of the fixed assets and the tax burden becomes heavier. It is hoped that this method of tax collection can be improved.

(3) The power given to the enterprise concerning wages is much too small. In particular, in our textile mills, the present wages policy in force cannot reflect the principle of distribution according to work. At a time when the worker enjoys good health and can make the best possible contribution his wages are at the lowest level. Besides, due to the intense labor required and the poor working environment, many youngsters are not willing to work in textile mills. We believe that since we have adopted responsibility for our own profits and losses and since wages are paid out of the income of the enterprise, we should be allowed to have a wages policy which is in accordance with the actual conditions of the enterprise. Indeed, we should take into consideration the conditions in neighboring plants. However, it might be feasible to arrange for wages to occupy a certain proportion of the income of the enterprise and allow the enterprise, within that limit, to put into practice a wages system which is in accordance with its own conditions.

Concerning ourselves, we still have many problems which require further attention. In particular, the activities imposed on us from above are too many, there are too many meetings, the level of management is low, all-round business accounting has made only a start, the grasp of cultural and technological education is still not firm enough, and the overall quality control of products must be further strengthened, and so on. We are resolved to learn earnestly from the advanced experience of our fraternal units, give full play to the superior points and overcome the defects, and strive to contribute more to the state.

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## FINANCE AND BANKING

### CONSTRUCTION BANK FINANCES SMALL CAPITAL CONSTRUCTION PROJECTS

Beijing GONGREN RIBAO in Chinese 7 Nov 80 p 1

[Article by GONGREN RIBAO correspondent: "Construction Bank Uses Idle Deposits for Loans"]

[Text] Since the beginning of 1980, the Construction Bank has used capital construction deposits, temporarily left idle, to finance small capital construction projects in the form of loans. These loans were mainly granted for developing projects requiring small investments but yielding quick results and producing goods in short supply. By the end of August, construction banks in various localities had signed loan agreements with more than 900 units involving a total of more than 800 million yuan. More than half of these units were light industrial and textile enterprises. Because of its role in filling certain gaps and in increasing profits at little expense, this type of loan is warmly acclaimed by the enterprises and units. Fiberglass cloth of medium width was in great demand in Tianjin's market.

In meeting market demand, the Third Cotton Textile Mill of Tianjin planned to renovate 204 looms and applied for a loan of 720,000 yuan. With the support of the Tianjin Branch of the Construction Bank, this mill has made use of this loan since June 1980. In only 3 months, 140 renovated looms were in operation and some 910,000 meters of fiberglass cloth of medium width were produced. After paying 810,000 yuan in tax, the mill reaped a profit of 1.18 million yuan which is equivalent to 150 percent of the loan. The Shenyang Radio Plant No 6 was losing money because it was not given enough production tasks. The bank's Shenyang branch granted it a loan of 200,000 yuan, and before the year end, this plant expects to produce 10,000 sets of Luodi Model radios and realize a profit of more than 300,000 yuan including tax.

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## FINANCE AND BANKING

### BRIEFS

**FUJIAN BANK LOANS**--In 1980, the loans extended to industrial and commercial enterprises by the people's banks throughout Fujian Province topped 1979 by 316 million yuan. The loans were primarily aimed at helping light and textile industries turn out more products in short supply. Desirable economic results have been obtained from many projects sponsored by the loans. The Fuzhou sewing machine plant used the 2.5-million-yuan loan to renew its equipment, thereby increasing its production capacity by 73 percent over 1979. Its profits rose 2.7 times. Longxi Prefecture's 10 key sugar refineries received a total of more than 1.8 million yuan, which enabled them to increase sugar output by 18,000 dun, output value by 18 million yuan and taxes and profits by 9.5 million yuan. [OW210407 Fuzhou Fujian Provincial Service in Mandarin 1035 GMT 18 Jan 81 OW] Various industrial and commercial units in Fujian Province obtained a total of 2.78 billion yuan as loans from branches of the People's Bank of China in the province last year. In order to implement the policy of readjustment, the various branches of People's Bank of China laid stress on supporting the light and textile industries and plants which produce goods for export. The Fuzhou sewing machine plant used the bank loan to expand its facilities and produced 180,000 sewing machines, 40,000 more than the state production quota. [OW140046 Fuzhou Fujian Provincial Service in Mandarin 1035 GMT 12 Jan 81]

**JIANGSU FINANCIAL READJUSTMENT**--Jiangsu has continued to readjust its financial expenditures with emphasis on increasing the funds for culture, education, public health and civil facilities. In 1980 the province appropriated some 660 million yuan for cultural, educational and public health spending, representing 31 percent of the province's financial budget and 120 million yuan more than in 1979. In 1980, funds appropriated in the state budget and by local authorities for urban construction and maintenance increased 75 percent over 1978. Living quarters covering a total of 2.5 million square meters were built in 1980. [Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 8 Jan 81 OW]

**SHANDONG FINANCIAL ASSOCIATIONS**--The Shandong Provincial Financial Association and the provincial accounting association were established with inaugural meetings held in Jinan recently. The meeting approved regulations and elected board of directors of these two associations. [Jinan Shandong Provincial Service in Mandarin 2300 GMT 11 Jan 81 SK]

SICHUAN RURAL LOANS--In 1980, the peasants in Sichuan paid back 1,268,000,000 yuan in agricultural loans to the banks and credit cooperatives, accounting for 67 percent of the total loans provided. This was the best record of repayment on loans since liberation. During the same year, the agricultural banks and credit cooperatives throughout the province provided a total of 1.91 billion yuan in agricultural loans, an increase of 88 percent over 1979. In order to support agricultural production, the cadres of the agricultural banks and credit cooperatives went deep into the communes and brigades to help them formulate plans and methods of distribution. [HK140920 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 9 Jan 81 HK]

XINJIANG AGRICULTURAL BANK--The Xinjiang regional branch of the Agricultural Bank of China has done a good job in supervising appropriations of agricultural funds. As of the end of 1980, funds allocated under the supervision of the agricultural bank totaled more than 430 million yuan, 82 percent of the total amount of state support for agriculture in Xinjiang. [OW131331 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 11 Jan 81 OW]

XINJIANG INVESTMENT COMPANY--The Xinjiang Regional Investment and Credit Loan Company has been recently established in Urumqi Municipality. Its principal targets of investment are to conserve energy resources, raise the quality of products, increase their variety and increase the production of the goods urgently needed at markets or for export. [Urumqi Xinjiang Regional Service in Mandarin 1620 GMT 21 Jan 81 OW]

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## ENERGY

### BRIEFS

**ANHUI POWER PROJECTS**--A number of large and medium-sized power transmission cables and substations were put into operation in Anhui in 1980. They include the 213-km kilovolt transmission line linking Bangbu, Chuxian and (Jiliangshan), and the 58-kilometer 110-kilovolt Guoyang-Lixin-Kantuan transmission line, and seven 70,000-volt substations. In 1980, in keeping with the third-stage expansion project of the Huaibei power plant, 110 km of 220,000-volt transmission cable linking Huaibei to Bangbu and 62 km of 110,000-volt transmission lines from Qiaotouji and (Liuqiao) and from Suxian to Nanping were erected. [Hefei Anhui Provincial Service in Mandarin 1100 GMT 1 Jan 81 OW]

**FUJIAN ELECTRICITY GENERATION**--From January 1980 to 25 December 1980, power-plants at and above the county level throughout the province generated 4.3 billion kilowatt-hours, fulfilling the year's quota 6 days ahead of schedule and showing an increase of 9.7 percent over the same period last year. The province attached major importance to hydroelectric power and minor importance to thermoelectric power. The province has also practiced economy in fuel consumption: coal consumption per kilowatt of thermoelectric power supply has been reduced from 609 grams in 1979 to 507 grams, economizing 67,000 tons of coal. [HK100726 Fuzhou Fujian Provincial Service in Mandarin 1035 GMT 6 Jan 81 HK]

**SHANDONG ELECTRIC PRODUCTION**--Jining power plant, Shandong Province, preful-filled the 1980 production plan by 11 days. Its 1980 electric output surpassed the 1979 figure by 68.65 million kwh. Meanwhile, the plant saved energy reserves worth 1.17 million yuan. [SK181118 Jinan Shandong Provincial Service in Mandarin 2300 GMT 16 Jan 81 SK]

**XINJIANG HYDROELECTRIC POWER STATIONS**--The Xinjiang Autonomous Region made new achievements in building small hydroelectric power stations in its rural areas last year. Sixty-five such power stations were built in rural Xinjiang and put into operation during the period under review. Their total capacity reached 51,000 kilowatts or 20 percent of the total output of all the small hydroelectric power stations built in the region over the past 30 years. This made the aggregate capacity of the region's medium-sized and small hydroelectric power stations reaching as high as 0.55 billion kilowatts. These stations supply about 20 percent of the electricity consumed in the region. Now all the counties of the region and about 70 percent of its communes and 30 percent of the total number of its production brigades have electricity. [Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 14 Jan 81 OW]

COAL SAVING--Beijing, 30 Jan (XINHUA)--Chinese economic readjustment and conservation efforts saved 35 million tons of standard coal in 1980, according to figures released by several departments under the State Council. Of this, 22 million tons of savings came from reduction in heavy industrial output and 13 million tons from better enterprise management and energy conservation. A leading official said that China's industry and communication enterprises still have great potential for energy conservation and he thus called for effective measures to save more coal this year. Productivity from use of coal is much less than that of industrialized countries, and 20 percent less than that of China itself in 1965, he said. Meanwhile, he said, small enterprises, including iron and steel works, chemical fertilizer plants, aluminium plants, machinery factories, oil refineries and textile mills, which consume too much energy, turn out poor-quality products and suffer losses must be either closed, combined with others or converted to other lines of production. [Text]  
[Beijing XINHUA in English 0824 GMT 30 Jan 81 OW]

CSO: 4020

## MINERAL RESOURCES

### GEOLOGICAL SURVEYS SHOW ABUNDANT MINERAL DEPOSITS

Beijing GUANGMING RIBAO in Chinese 31 Dec 80 p 1

[Article by GUANGMING RIBAO correspondent Hu Youquan [5170 2598 3123]: "Outstanding Achievements for Regional Geological Surveys in China--More Than 100 Different Mineral Resources in 376 Key Producing Sites Discovered"]

[Text] In the past 20 years, our regional geological survey personnel, over 10,000 strong, have conducted large-scale surveys in 29 provinces, municipalities and autonomous regions, excluding Taiwan Province, and gained large amounts of regional geological data. They also compiled various types of maps showing the geological structures and mineral products, and discovered many new mineral resources.

Through regional geological surveys throughout the country, maps with scales of 1:1,000,000 and 1:200,000 showing regional geological surveys undertaken within areas of 8.64 million and 4.72 million square kilometers respectively have been compiled. Maps with a scale of 1:50,000 have also been produced showing the geological surveys carried out in key areas. All these achievements have provided valuable data on geology and mineral products to be used by scores of departments and commissions of the state and are serving as the basis for a rational distribution of our national industrial and agricultural production.

These surveys have brought to light more than 100 mineral products and 376 important mineral producing sites. After geological prospecting, 85 large or extra large, and 84 medium-size deposits of diamond, gold, silver, copper, mercury, lead, zinc, tungsten tin, niobium, tantalum and rare earth were discovered. For example, in the Cathaysian structure zone in southern Liaoning Province, a primary diamond deposit was discovered; in Guizhou, Gansu, Henan, Shandong and Heilongjiang, gold deposits were discovered; in Tongbai County of Henan and Baiyu County of Sichuan, large deposits of silver and polymetallic deposits were discovered; in Lanping County of Yunnan, a rare extra large deposit of lead and zinc was discovered; in Jaingfa County of Heilongjaing, a large copper deposit was discovered; in Qinghai, a large mercury deposit was discovered; and in Guangdong, deposits of niobium, tantalum and rare metals were discovered. These discoveries will provide an important mineral reserve for our national economic construction.

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## MINERAL RESOURCES

### NONMETALLIC MINERAL DEPOSITS DISCUSSED

Beijing RENMIN RIBAO in Chinese 4 Nov 80 p 1

[Article by RENMIN RIBAO correspondent: "Deposits of 80 Nonmetallic Mineral Resources Discovered in China with Pyrite and Gypsum Deposit Among the Top Rank in the World"]

[Text] Xinhua, Beijing, 3 November--From the department of geology, we have learned that 4,300 nonmetallic mineral producing sites have been discovered in China and that 80 different nonmetallic mineral deposits have been verified. Among them are deposits of pyrites, gypsum, magnesites, borax, phosphate, arsenic, asbestos, fluorites, alum, rock salt and other non-metallic mineral resources which are in the top rank of the world.

Many of the nonmetallic mineral deposits, which have been verified, are essential for the development of modern industry. For example, in Yunnan, Guizhou, Sichuan, Hunan and Hebei, large phosphate deposits have been discovered; in Guangdong, Anhui and Nei Monggol, deposits of high-grade pyrites have been discovered; in the Qaidamu Basin of Qinghai, a rich salt deposit has been discovered; and in various parts of China, deposits of mirabilites, natural alkali, rock salt and alum have been discovered. All these discoveries have provided rich resources for the development of our chemical industry.

There are also many resources of raw materials required for metallurgy, civil engineering, light industry and electronic industry among the already verified non-metallic mineral products. For example, the fine quality asbestos in Qinghai, Sichuan and Shaanxi; the large graphite deposits in Heilongjiang and Shandong; the Kaolin deposit in Jiangsu; and the deposits of Talcum, gypsum, magnesites, pyrophillities, pearlitites, fluorites, refractory clay, quartz sand rocks and limestones, which have been verified, can basically meet the requirements of industrial construction.

The geological workers have also achieved notable success in the discovery of rare nonmetallic mineral resources. For example, in Guangdong, Guangxi, Yunnan and Qinghai, they have discovered large deposits of fine quality piezocrystal for the electronic industry; in Shandong, Liaoning and Hunan, they have discovered diamond producing sites; in Henan, Yunnan and Sichuan, they have discovered blue asbestos which can be used for purifying radioactive pollution; and in Guizhou, they have also discovered mineral resources of Iceland spars which are essential for the production of high precision optical instruments.

In the past several years, the geological departments in various localities have deeply realized the importance of nonmetallic mineral resources to the modernization drive. They are further readjusting and strengthening the surveying and prospecting forces for nonmetallic mineral resources and stepping up their prospecting and research work on these mineral resources in order that such work can undergo new developments.

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## MINERAL RESOURCES

### BRIEFS

**MORE MINERAL DEPOSITS**--Beijing, 30 Jan (XINHUA)—China last year located numerous metallic and nonmetallic mineral deposits, including tungsten, tin, molybdenum, lead, zinc and graphite in a dozen provinces and autonomous regions, according to the Ministry of Geology. China abounds in mineral resources and has some of the world's richest reserves of tungsten, tin, lead, zinc, antimony, troilite and magnesite. In the past 2 years, the country has accelerated its prospecting work. Deposits of more than 50 metals and nonmetals have been found so far in China. Yunnan Province, one of China's major tin producing areas, last year discovered additional tin deposits at more than 20 locations in an ore belt in the western part of the province. Of these sites, 2 have proved to be of industrial value and 1 covers an area of 8 square kilometers. Inner Mongolia discovered a large lead-zinc deposit in the Urad Rear Banner extending some 1,400 meters and also containing sulphur. Verified gypsum deposits of 2 mining areas in Inner Mongolia's Otokand Banner are estimated at 100 million tons. A complex ore deposit containing copper, lead, silver and other metals has been verified in western Sichuan province. [Text] [Beijing XINHUA in English 0814 GMT 30 Jan 81 OW]

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## INDUSTRY

### BRIEFS

SMALL ELECTRIC MOTORS--Nanjing, 26 Jan (XINHUA)--Chinese engineers have designed and manufactured a new series of small electric motors which tests have shown to be efficient in their use of electricity, as well as lightweight, relatively quiet and easy to start. The motors, which range from 0.55 to 90 kilowatts in power, incorporate strong points of three-phase asynchronous electric motors made at home and abroad. Four hundred were tested at a recent meeting in Nanjing, Jiangsu Province, which decided to take the new series as the principal line in China's future production of small electric motors, gradually substituting for other series. At present, small electric motors account for 60 to 70 percent of the country's production of electric motors. [OW291321 Beijing XINHUA in English 0306 GMT 26 Jan 81 OW]

CSO: 4006

## CONSTRUCTION

### PRC JOURNAL ON REDUCING CAPITAL CONSTRUCTION

HK160400 Beijing JINGJI GUANLI in Chinese No 12, 15 Dec 80 pp 23-25

[Economic commentary by Lin Senmu [2261 2733 2606] and Zhou Shulian [0719 0647 5571]:  
"Capital Construction Must Be Sufficiently Cut Back"--slantlines denote boldface]

[Text] Preliminary results have been attained in respect to shortening the capital construction line and enhancing the efficiency of investments due to the implementation over the past year or so of the policy of readjusting, restructuring, consolidating and improving the national economy. In 1979, projects under construction were sorted out. The construction of 295 large and medium projects were stopped or postponed; 118 large and medium-sized projects that had been scheduled to go into production, but 128 were actually completed, thus changing the situation that had existed for years whereby the plans for the projects to be put into production had never been fulfilled. In 1980, it was planned to halt or postpone the construction of a further 238 large and medium-sized projects. By the end of September 1980, 254 large and medium-sized projects in operation all over the country had already been reduced. Nevertheless, in view of the present situation, capital construction has not been sufficiently cut back. An evident change has not been brought to the long-standing situation in which the capital construction front is broad; finance, materials and manpower are scattered, the management is in chaos and things are not done according to the procedures for capital construction. The task of readjusting capital construction still remains very arduous.

At present, the outstanding question is that the scale of capital construction is still too large. Comparing 1980 to 1979, more than 700 large and medium-sized capital construction projects all over the country were reduced; this was 45 percent of all projects under construction. Not only has the scale of total investment in projects under construction not been correspondingly reduced, it has increased. This is because, relatively speaking, the discontinued or postponed items were comparatively small, while most of the new batch of projects required large amounts of investment. Therefore the investment needed for the incompletable large and medium-sized projects within the plans for the year 1980 were 25 percent more than for 1979. Calculated according to the level of investment in large and medium-scale projects arranged for this year's plan, it will take 8 more years to complete all the items, even if not a single new project is initiated. Besides, small-scale projects have also increased a great deal. According to statistics in the four provinces and regions of Nei Monggol, Liaoning, Jilin and Guangdong, the projects under construction from January to August this year increased by 36.6 percent over the corresponding period of last year.

By saying the scale of capital construction is too large, we mean that it is beyond the state's capacity to supply finance, materials and manpower. In 1978 and 1979 China suffered financial deficits. There were many reasons for the financial deficits, and the excessive scale of capital construction was one of the important reasons. Another example is that of the three following materials. This year the total amount of steel allocated by the state and mobilized through other channels for the use of capital construction was approximately 5.7 million tons, which would have satisfied 43.1 billion yuan of investment, calculated on the basis of allocating 1.3 tons per 10,000 yuan of investment. Standard cement allocated for capital construction was approximately 15.6 million tons, which would have satisfied 31.2 billion yuan of investment, calculated on the basis of allocating 5 tons per 10,000 yuan of investment. Timber allocated for capital construction was approximately 6.66 million cubic meters, which would have satisfied 33.1 billion yuan of investment, calculated on the basis of allocating 2 cubic meters per 10,000 yuan of investment. Planned investment for this year was 50 billion yuan, but actually did not reach this amount. There is a large gap between the material needs for capital construction and the capability of the state to supply them.

What merits attention is that more and more construction projects are emerging under the name of tapping potentials, innovating and improving. And under the name of measures for technological reform, some units are actually carrying out capital construction. Some capital construction projects seem to have been stopped or postponed, yet in reality they continue to be built under the name of tapping potentials, innovating and improving. According to statistics, during the first half of this year, there were 2,621 projects with investments of over 1 million yuan in operation under the name of measures for technological reform, 64 projects more than were carried out in the whole of last year. The average investment in each project amounted to 3.23 million yuan. There are 94 projects with investments of over 10 million yuan under the name of measures for technological reform, 51 of which are projects that have been initiated this year. In many localities, more than half of the funds for tapping potentials, innovating and improving are used for capital construction, thus accelerating the disproportion between funds and materials. According to estimates, steel allocated by the state for projects involving tapping potentials, innovating and improving can only satisfy slightly more than half of the demand, 42 percent in the case of cement and not even half in the case of timber. Therefore, projects involving tapping potentials, innovating and improving must be seriously sorted out, and their scale must also be reduced.

A problem related to the excessive scale of capital construction is the irrational direction of investment. This is still a serious problem. Over the past 2 years, although propositions have been put forward to change the situation in which heavy industry was one-sidedly developed and the production of steel was blindly accelerated, heavy industry still occupied over 75 percent of the investments calculated within the plans for the needs of large and medium-sized projects. This can still be said to be a heavy investment structure. But the investment structure within heavy industry is also irrational. For instance, regarding investment in coal, electricity, oil and communications and transportation, which are all weak links in the national economy, for some it is not sufficient, and for some it has even been reduced. This year investments in coal and railways have been reduced, and the investments in electricity have been even more drastically reduced. So the situation

in which officials are in the forefront cannot be effectively changed. The irrational investment structure enlarges the scale of capital construction. And in turn, if capital construction is not sufficiently cut back and the scale of investment is kept down to a reasonable level, it is hard to effectively improve the investment structure and enable it to reach a reasonable level fairly quickly.

At present, strong measures have yet to be taken to solve the problem of duplicate construction, blind construction and the small squeezing out the big. This question is very serious and if it is not settled, the scale of capital construction cannot be controlled and it will be hard to raise economic efficiency. For instance, China's present lack of energy means that 30 percent of its productive capacity remains idle, but in many localities duplicate construction of new factories is carried out in disregard of the energy situation. At present, cotton throughout the country can only satisfy two-thirds of the productive capacity of the large and medium-sized cotton mills, while all the rest is imported. Big mills in the cotton industry are operating below capacity while small mills are vying with one another. There are many other projects under construction such as small cigarette factories, small distilleries, small sugar refineries, small paper mills and so forth. Just as some comrades put it, a new "five small industry" is "emerging." Some duplicate construction is carried out under the name of giving play to the superiority of localities and giving priority to the development of light industry. The policy of giving play to the superiority of localities is undoubtedly correct, but if new factories are built in localities while the existing productive capacity of the country as a whole cannot be fully brought into play, in the final analysis, this way of doing things will not be in the interests of the localities and units themselves, because it is harmful to the interests of the whole. Therefore giving play to the superiority of localities must be combined within the "nationwide chess game." And what is more, giving play to the superiority of localities takes time. It can only be realized step by step and after a period of time, in a planned and measured way. As to giving priority to the development of light industry, it must continue to be carried out for some time to come. The main problem in developing light industry is not the productive capacity but energy, raw materials, product variety and quality (of course there are problems in some aspects of productive capacity). So duplicate construction and blind construction should not be carried out, otherwise competition for raw materials between big factories is inevitable, causing loss and waste.

One important reason why the scale of capital construction cannot be cut back is that certain comrades lack the knowledge that capital construction must be sufficiently cut back. Facts have again and again shown that the overextensive scale of capital construction seriously damages not only capital construction itself but also production, consumption, social life, and so forth.

/First, leads to decline in the efficiency of investments./ If the scale of construction exceeds feasibility, the funds, equipment, materials and technology needed for the construction projects cannot be supplied on time. This will inevitably prolong the period of construction and increase the construction costs of projects. According to analysis, of the 118 large and medium-sized projects completed and put into production in 1979, 34 were prolonged, some took 3 to 5 years longer than planned; 52 items exceeded the designed calculations, some even doubling it. From January to September this year the large and medium-sized projects and single-phase projects (including those outside the plans) constructed and put into production

only accomplished 16 percent and 13.1 percent respectively of the year's plan, less than the corresponding period of last year. There is one province that has calculated that of the 128 projects that cannot initiate production as planned, 36 percent is due to the lack of funds and materials; certain projects, even when they are completed, will not be able to go into normal production or their productive capacity will not be able to be fulfilled due to the lack of raw materials, fuel and motive force or because related assembly projects fail to follow suit. For instance, of the 22 items of full sets of equipment imported under contracts signed in 1978, the petrochemical industrial projects will need more than 10 million tons of oil per year after being constructed. Yet a substantial increase in petroleum output within a short space of time is impossible, therefore even when construction has been completed, these projects will not be able to be put into production for a long time to come.

/Second, undermines simple reproduction./ The excessive scale of construction, the excessive consumption and use of funds, materials and manpower will inevitably encroach upon production, repair, renewal and transformation of the raw materials, equipment and power to be used, thereby making it very hard to proceed smoothly with simple reproduction. Now we have many enterprises that often work 3 days off and 4 days on or vice-versa, because they have insufficient materials and are hard pressed for fuel and power. In Shanghai, only about 50 percent of the renewal and transformation funds can be used due to the lack of materials. Techniques are backward, equipment is outmoded in many enterprises, some even dates back to the 1930's or 1940's. This technology and equipment has not been renewed or transformed for a long time.

/Third, affects financial equilibrium./ The excessive scale of capital construction usually causes financial deficits, increases the issue of currency and affects the stability of prices. China has suffered financial deficits for years in succession. Only by sufficiently cutting back capital construction and adopting other measures can the problem of financial deficits be solved. Most of the large and medium-sized projects under construction within the present plans will be completed during the Sixth Five-Year Plan. In the years 1981 and 1982, construction work will reach a peak, and contradictions in the allocation of investment funds will be extremely prominent. If the excessive scale of construction is not scaled down, the adverse balance of payments will become larger and deficits will increase. The consequences will be very serious.

/Fourth, making accumulation rate too high, affects the improvement of the people's livelihood./ A great deal of finance and materials being plunged into capital construction, especially into productive capital construction, will inevitably create an excessive rate of accumulation, thus affecting the improvement of the people's livelihood. Because the scale of capital construction was too big China's accumulation rate in 1978 was 36.6 percent, and in 1979 it still reached 33.6 percent, which strictly limited the improvement of the people's livelihood. The purpose of socialist production is to satisfy ever increasing material and cultural needs of the people. If the people's livelihood is not improved as it should be, they will not be able to feel from their standard of living the superiority of the socialist system, and this will naturally affect the enhancement of their socialist consciousness and the stimulation of their enthusiasm for work.

We can see from the above that whether or not the scale of construction is appropriate affects the development of the national economy from many aspects. At present when readjusting and stabilizing the economy, the key link is to solve the problem of the overextended capital construction front. In other words, capital construction must be sufficiently cut back.

Some comrades are worried that if capital construction is sufficiently cut back, the speed of development in production will be hampered. This worry is not necessary. Over the past few years, due to the excessive scale of capital construction, the newly increased fixed assets go up every year, but the speed of the growth of industrial output value goes down year by year. It was 14.3 percent in 1977, 13.3 percent in 1978, 8.5 percent in 1979 and is planned to be 6 percent this year. This shows that even if the scale of capital construction is too big, production will still not go up. The problem is: ultimately, what kind of speed do we need?

For a very long period of time, the guiding thought behind China's socialist construction has been "speed is everything theory," hoping desperately to catch up with and surpass the big, developed capitalist countries economically and to build China into a modern and strong socialist country within a very short period of time. This thinking is still blinding some people's minds up to the present, and has practically become a kind of superstition which is affecting people's actions. Under the guidance of this thinking, the central issue when working out a plan is the speed of the growth of production. Therefore, high speed is guaranteed by the excessive scale of capital construction. And the methods of one-sidedly giving priority to the development of heavy industry and "taking steel as the key link" have been introduced in order to grasp high speed. As a result, the development of the national economy has become seriously disproportioned, the people's livelihood has not been improved as it should have been, production has not gone up and economic efficiency is very bad. Practice has proved that high speed in production does not equate to the best speed. Less speed is not necessarily a bad thing. According to the requirements of the basic laws in a socialist economy, emphasis in working out a plan should not be laid on the height of quotas but on how to improve the livelihood of the people year by year. What is more, the scale of construction cannot be enlarged as much as you want, because it is restricted by the objective conditions. In view of the circumstances in which China's economy has developed to such a present stage, finance, materials and manpower utilized by the state for capital construction must be comprehensively proportioned, so as to keep the scale within feasible limits and guarantee an appropriate speed of economic development. At present, China is at the stage of readjusting the national economy, and the scale of capital construction must comply with the need for readjustment. In so doing, the speed of the growth of production seems to be rather slow, but it is creating the conditions for faster development in the future. Taking the whole situation into consideration and looked at from a long term point of view, this is beneficial. It is also just the reason why capital construction must be sufficiently cut back. In short, we should not again indulge in such idiotic practices as slapping out faces until they are swollen in an effort to look imposing.

The tasks that we are confronted with in readjusting the national economy are very arduous. We will continue to implement the 8-character policy of readjusting, restructuring, consolidating and improving. Among these, readjusting is the key link. To go on taking a firm hold of readjustment will be beneficial to stability and unity

in the political field and to creating the conditions in which the economic management system can be reformed. This is the key point where our economic work will shift from passivity into activity. The primary task in carrying out readjustment is to cut back further the scale of capital construction. If the problem is not solved, the readjustment work cannot be done well. Therefore, we must be resolute in cutting back the scale of capital construction and proceed without fear of injury to our sinews and bone. This requires that: one the one hand, projects under construction must be cut, not only scaling down medium and small-sized ones but also the large-sized one; and not only scaling down general items but also projects involving the import of full sets of equipment. On the other hand, projects that have recently been raised must be put under control, and checked and examination and approval procedures must be very strict. Only when capital construction is sufficiently cut back, will it be possible for us to fulfill our tasks in the readjustment work and grasp the initiative in economic work.

CSO: 4006

## CONSTRUCTION

### PRC JOURNAL ON CAPITAL CONSTRUCTION GUIDELINE

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[Article by Chen Shengchang [7115 0524 2490] of the Economic Research Institute of the Chinese Academy of Social Sciences: "Query on the 'Concentration of all our Strength To Wage a Wipeout Battle'--Guideline in Capital Construction"]

[Text] The guideline for capital construction known as "concentrating all our strength to wage a wipeout battle" has been put forward for over 20 years. Practice is the criterion for testing economic theory and economic policies. Over the past few years, the capital construction front has become increasingly more extensive and the economic results have become increasingly worse. Is it in agreement with reality to ascribe all these to failing to implement satisfactorily the principle of concentrating all our strength to wage a wipeout battle? Is this principle correct? These are major questions concerning whether the results of capital construction will be good or bad.

#### 1) Concentrating all our Strength Is Essentially Different From Using our Strength Rationally

Revolutionary war and capital construction are not governed by the same laws. If we do not abstract the aims of both revolutionary war and capital construction as "for the sake of revolution," which is empty talk, we will acknowledge that the aims of the two things are different. Revolutionary war is aimed at destroying the enemy, and capital construction is aimed at economic development. Waging a battle requires concentration or dispersion of forces, but capital construction requires the balanced and rational use of our strength. War is primarily aimed at disrupting the balance between us and the enemy, but capital construction is aimed at establishing a new equilibrium which is compatible with a high rate of national economic development. It can be said that these are sharply contrasting principles based on different aims and conditions. In Comrade Mao Zedong's principle of "concentrating our superior forces to wage a wipeout battle" for guiding revolutionary war, the essential points are "superior" and "wipeout." In this principle, "concentrating our superior forces" is fairly specifically stipulated as concentrating our forces to the extent of 4 to 6 times the enemy forces. Those articles which applied this principle to capital construction and discussed the necessity of "concentrating our forces to wage a wipeout battle" in capital construction all failed to clarify the exact meaning of "concentrating all our strength." For one thing, these articles

deleted the word "superior" from the military principle of "concentrating our superior forces," and for another thing, they expounded in various ways the concentration of human, material and financial resources as well as the insurance of key projects, major projects and large-scale projects. However, what should be the degree of concentration? What is the relationship between concentration and economic results? All these questions are unanswered. Actually, these articles merely expressed a desire: "to complete the projects as soon as possible so that they can go into operation," at the expense of everything else.

For many years, "concentrating all our strength to wage a wipeout battle" was actually meant that the major projects have been able to take up larger quantities of investment funds, materials, reserves of materials, large-scale machinery and equipment and manpower. In the case of manpower, forced idleness due to poor organization of work and excess manpower is thought to be more desirable than a lack of manpower. Thus, objective conditions and capital construction procedures are disregarded in obstinate and concentrated efforts to finish major projects quickly. This way of doing things greatly interferes with other ordinary projects, so that units in charge of construction suffer from shortages in different types of workers in different times and thus suffer from "shortage of certain types of workers in combination with idleness for other types of workers." Consequently, "half-completed projects" continue to increase and the front becomes increasingly more extensive. "Concentrating our strength" leads to the irrational use of human, material and financial resources.

## 2) "Concentrating all our Strength" Disrupts the Comprehensive Equilibrium of the National Economy

Recently, some comrades have fully proved that the basic reason why the capital construction front is extensive is that there are gaps in the capital construction plans and comprehensive equilibrium cannot be achieved. Some comrades have further argued that comprehensive equilibrium is the primary requirement of "concentrating all our strength to wage a wipeout battle." Actually, "concentrating all our strength" is a reason for the disproportion in the national economy.

For a long time, we have believed that we can boost the national economy by disrupting equilibrium and doing a crash job of certain "key" or "major projects." However, the objective reality is that the national economy can develop healthily and comprehensively only by proportionate development. After 1958, because planning was characterized by "taking steel as the key link," all departments were required to keep up with the subjectively determined high targets for steel. Therefore, all departments had to set high targets. When these targets could not be attained, the scale of capital construction was expanded, so that the originally existing gaps were enlarged. To solve this problem, the targets for the items with gaps were raised further. Therefore, the scale of capital construction was expanded further and investment was increased. Thus, in a vicious circle, the gaps continued to be enlarged, the scale of capital construction continued to expand and the fronts became increasingly more extensive. Thus, contrary to our expectations, "concentrating our strength" has aggravated disproportion. The iron and steel industry should not have been developed in isolation, and such industries as electric power, coal, transportation, the chemical industry and building materials had to develop correspondingly and proportionately. In turn, these industries required the machine

building industry to provide equipment. Thus, among various sectors of the national economy, only the sector producing consumer goods could "tolerate" sacrificing its investment funds so that the funds could be "concentrated" in other sectors. Thus, "concentrating our strength" is one cause of disproportion among various sectors.

### 3) "Concentrating our Strength" Violates the Principle of Balanced Production in the Implementation of Capital Construction

The characteristics of the building and construction industry are that first, the products are fixed and production is mobile, and second, the products are sizeable and exist as individual entities. Therefore, in building and construction work, various stages of production cannot be carried out simultaneously and many types of work must be done according to strictly specified procedures in the same premises. Consequently, the production techniques and organization of production are complicated and balanced production is difficult. However, balanced production is necessary for building and construction work because of the following reasons.

1. Building materials are produced by factories in a balanced way and supplied regularly in a balanced way. The use of building materials should also be economized. Whenever the "concentration of strength" is practiced with vigorous propaganda, building materials are invariably wasted.
2. Only under the condition of balanced production can machinery be rationally used and its utilization ratio raised. In projects with a "concentration of strength," the rush in work leads to the irrational use of building machinery.
3. The "concentration of strength" precludes the rational use of labor. The work force can be rationally used only if production is balanced. Over the past few years, the Beijing Municipal building and construction projects system have vigorously practiced "great rush." Consequently, there has been much forced idleness due to poor organization of work, the workers have been fatigued, industrial accidents have increased and shortages in certain types of workers have been artificially created. Several construction companies have at various times lacked woodworkers, bricklayers and plasterers. Moreover, because the great frequency of rush and doing crash jobs has disrupted normal procedures of production, the workers are always unfamiliar with the methods of production. Thus, the mastering of the production processes and the improvement of technical skill are hampered.

Some construction units have disrupted the procedures of production on the ground that "implementing the principle of concentrating all our strength to wage a wipeout battle" "can help shorten the time limits for projects." However, a rational time limit for a project should be the best time limit permitted by subjective and objective conditions. Over these years, the study of best time limits have been neglected in both technological management and the economic management of the enterprises. Therefore, there have been attempts to use the human sea tactics to achieve completion of projects within arbitrary and subjectively determined time limits. Consider the example of the project of the new Beijing Hotel building. (This is not even the most serious case of the human sea tactics.) At that time, it took roughly 1 year to build a similar hotel in Japan, but we disregarded our existing technological conditions and subjectively determined to surpass Japan by completing the project in entirely 1 year. In the year long "great battle," in which "all our strength was concentrated to wage a wipeout battle," the peak number of workers

employed exceeded 15,000. The result was that because of incomplete designing (which continued along with the construction work) and problems in the quality of work, around 10 percent of the total number of workers employed had to pick out, chisel and clear wrongly built parts. Because "large corps were employed in the battle," forced idleness due to poor organization of work was prevalent. Other kinds of waste were also alarming. For example, because of the rush in work, the wall surfaces were not vertical, so that the thickness of plaster had to be increased from the designed 2 cm to an average of 12 cm with a maximum of over 20 cm at certain places. Thus, the consumption of cement, sand and white plaster for plastering the walls was five times the designed quantity. The waste due to confused management was incalculable. The unit building cost rose from the planned estimate of 450 yuan per square meter to over 650 yuan, by over 50 percent. I have compared normal construction work with the "waging of battles" by studying five similar hotel buildings and found that although the building completed in a rush took 2 months shorter to be built, it needed an extra 1.28 man-days per square meter. That is to say, if the construction unit continues to adopt the method of "waging a battle," every year it will build two fewer similar hotel buildings totalling 8,000 square meters. Very obviously, genuine high speed is indicated by economy of labor and high efficiency and not by the time taken to complete individual projects. Needless to say, it precludes the enormous waste due to "rush" and "waging battles."

#### An Overall View

Over the past two decades, the problem of the excessive extensiveness of the capital construction front has not been solved. Over the past few years, this problem has aggravated. The construction cycle has been nearly double that in the first 5-year plan period. Under this condition, the principle for capital construction: "concentrating all our strength to wage a wipeout battle," was put forward. The motive is proper and the aim is to reduce the capital construction front. However, we must understand the problem before we can solve it. The basic reasons why the fronts are extensive and the cycles are long are that the accumulation rate is too high, the investments are excessive and that the investment funds are inappropriately allocated among various localities and sectors. Very often, the limited investment funds are mainly allocated to large-scale or new items while innovations in or the transforming of the existing enterprises are neglected. Obviously, it is impossible to rely on the "concentration of all our strength to wage a wipeout battle" to solve the problems of long cycles in and poor economic results of capital construction, caused by the factors mentioned.

We may at least derive three points, stated below, from the analysis in this article.

1. "Concentrating all our strength to wage a wipeout battle in capital construction" is not a scientific concept and does not carry any exact implications.
2. Practicing the 'concentration of all our strength to wage a wipeout battle' is much easier than practicing methods which yield the best economic results and involve the best time limits for completing projects. The former is characterized by low standards and low speeds.

3. Practicing this principle not only fails to enable capital construction to yield good economic results, but aggravates disproportion in the national economy.

In conclusion, applying the military method of concentrating all our strength to wage a wipeout battle to capital construction is not scientific and not appropriate.

CSO: 4006

## CONSTRUCTION

### BRIEFS

RURAL HOUSING CONSTRUCTION--Beijing, 25 Jan (XINHUA)--A report from Zhejiang Province, east China, says that 570,000 peasant families there built new homes of their own last year with a total floor space of 37 million square meters, largest in the province's history. On the relatively rich Hangjiahu Plain and Ningbo city's outskirts, more than one-third of all peasant families built new houses in the past few years, increasing residential floor space to 14 square meters per capita. Many public projects, including schools, shops, cinemas and clinics were added. In Jilin Province, northeast China, housing totalling 5.9 million square meters of floor space, were built last year in rural areas. Local government help was given in materials and technical guidance. Over 103,000 peasant families moved into the new, some two-story, houses. [Text] [OW291315 Beijing XINHUA in English 0808 GMT 25 Jan 81 OW]

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## **DOMESTIC TRADE**

### **BRIEFS**

**SHANDONG RETAIL SALES**--Retail sales of commodities in Shandong Province in 1980 were 2 billion yuan more than in 1979. Sales of industrial products, including sugar, chemical fabric cloth, woolen cloth, soap and aluminium pots increased from 20 to 30 percent; bed sheets, woolen thread and paints, from 30 to 40 percent, and radios and televisions, over 90 percent. The sales of industrial goods for daily use such as nylon blend fabric cloth, washing powder and batteries increased from 20 to 30 percent; sewing machines and wrist watches, from 36 to 148 percent. The net procurement volume of Shandong Province in 1980 increased 22.9 percent, of which agricultural and sideline produce increased 54 percent. According to incomplete statistics, industrial products procured above the quotas by town and city commercial departments amounted to 1.49 billion yuan, or 24 percent of the total procurement volume of industrial products. [SK160852 Jinan Shandong Provincial Service in Mandarin 2300 GMT 13 Jan 81 SK]

**SHANGHAI SMUGGLING INCREASE**--A discussion meeting on the prevention of smuggling was held in Shanghai this afternoon. According to the Shanghai customs and public security organ, the total value of smuggled goods detected in Shanghai in 1980 was 10 times that of 1979. The participants at the meeting called for continued efforts to crack down on smuggling. [Shanghai City Service in Mandarin 1130 GMT 20 Jan 81 OW]

**SHANGHAI TRADE**--Shanghai, 11 Jan (XINHUA)--After fulfilling their export targets, Shanghai's foreign trade departments recently made available more than 100 million yuan worth of commodities from their stocks for sale on the local market during the Spring Festival. The commodities include textiles, light industrial products, hardware, special local products, cultural and educational items and handicraft articles. In 1980 export commodities diverted to the local market by Shanghai's foreign trade departments totaled more than 200 million yuan. In 1980 Shanghai fulfilled its export plans a month ahead of time, and total export earnings showed an increase of 17.24 percent over those in 1979. [OW131245 Beijing XINHUA Domestic Service in Chinese 1501 GMT 11 Jan 81 OW]

**SHANGHAI BOGUS COUPONS**--Counterfeit cigarette coupons have been discovered recently on the Shanghai market. They were used to buy cigarettes at local retail shops. Such illegal acts undermine the state supply policy and local market regulations. The commercial departments have called on local retail shops and the people to be vigilant in an effort to curb such illegal acts. [Shanghai City Service in Mandarin 2300 GMT 10 Jan 81 OW]

**SHANXI GOVERNMENT CIRCULAR**--According to a SHANXI RIBAO report, the Shanxi Provincial People's Government recently issued a circular on improving control of the salt trade. The circular stipulated: 1) salt management departments at all levels should be responsible for the salt trade, and units and individuals are forbidden to carry out private salt trade; 2) salt management departments should be responsible for the supply of salt in areas where there is no salt production; 3) units and individuals should be strictly forbidden to take part in salt trade or transportation; 4) all departments concerned should work closely with each other to improve salt trade; 5) the broad masses should exert supervision over this work and should commend and award advanced units and individuals and punish those who violate the provisions of the circular. [HK100726 Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 5 Jan 81 HK]

**ZHEJIANG COMMODITY PRICES**--Since the State Council's circular on strict control of commodity prices was implemented throughout Zhejiang, the tendency to raise prices at random or in a disguised form in markets in all localities has been basically checked. Commodities which the State Council and the provincial government stipulate not to be bought or marketed at negotiated prices have been basically no longer bought or marketed at negotiated prices. After the State Council issued the circular, the provincial government dispatched three inspection groups to Hangzhou, Ningbo and Wenzhou municipalities respectively to inspect commodity prices. [Hangzhou Zhejiang Provincial Service in Mandarin 0400 GMT 18 Jan 81 OW]

**ANHUI MUNICIPALITY MARKET SUPERVISION**--The Fuyang Municipal People's Government in Anhui has taken effective measures to strengthen the supervision of market activities, thus striking illegal transactions and safeguarding the masses' interests. So far, the municipality's concerned departments have cracked a dozen or so profiteering cases, confiscating 300 smuggled wristwatches and a number of cassette recorders, bicycles and silver coins. [Hefei Anhui Provincial Service in Mandarin 1100 GMT 16 Jan 81 OW]

**ANHUI PRICE CONTROL**--Implementing the State Council circular on controlling prices, Anhui Province has basically stabilized commodity prices. Three price inspection groups organized by the provincial authorities have helped various prefectures and municipalities inspect and stabilize prices. The province has held a provincial price conference which called on all localities to conduct another general price inspection around the Spring Festival period. [Hefei Anhui Provincial Service in Mandarin 1100 GMT 11 Jan 81 OW]

**ANHUI COMMERCIAL WORK**--The state-run commercial units in Anhui Province made significant achievements in 1980. The total value of commodities procured by various state-run commercial units during 1980 is 5.7 percent greater than that of 1979, and the total value of commodities sold is 17 percent greater than that of 1979. Total profits turned to state treasury by those units as of the end of November 1980 already fulfilled the annual quota. During 1980 more than 500 state-run commercial networks or units were set up in eight municipalities and more than 33,000 individual industrial and commercial enterprises and stores were restored or set up in the province. The total

value of commercial products sold to the people during 1980 is over 2.8 billion yuan, representing a 17-percent increase over the previous year. The varieties of agricultural sideline products in the markets have increased, but the average price has decreased by 1.62 percent. [Hefei Anhui Provincial Service in Mandarin 1100 GMT 31 Dec 80 OW]

NEW BEIJING STORE--Beijing, 15 Jan (XINHUA)--The newly built "Anhui Store" was opened in Beijing Municipality today. Situated in the east district of Beijing, the "Anhui Store" is a comprehensive firm combining both collectively run and state-run enterprises and specializing in handling some 300 varieties of light and textile industrial products as well as farm and sideline products directly supplied by Anhui Province. [Beijing XINHUA Domestic Service in Chinese 1447 GMT 15 Jan 81 OW]

BEIJING CITY MANAGEMENT--In a report entitled "Frenzied Speculative Activities in Beijing," a CONGREN RIBAO reporter today quotes a salesman's criticism of the Beijing Municipality: "What can you say about this? Why isn't anyone controlling these things?" According to the report, most of the shoes on sale in the shops are bought up in bulk by speculators, and the only way the people can buy them is to pay more. One salesman angrily said: "Now the bold people stuff themselves while the timid starve. People who abide by the law and behave themselves really get the worst of it! How could prices avoid rising in this way? If the shops sell things at low prices, all they are doing is to allow these rascals to make still greater profit." The CONGREN RIBAO reporter said, speculative activities openly carried out in the streets of Beijing are on the increase every day. The CONGREN RIBAO report was subtitled "The Masses Appeal to the Departments in Charge To Take Resolute Action To Ban These Activities." [Text] [HK230134 Hong Kong WEN WEI PO in Chinese 23 Jan 81 p 3]

FUJIAN BLACK MARKET CLEANUP--The Fuzhou municipal public security departments in Fujian have taken steps to end the black market near the Fuzhou railway station in a determined effort to strike at the speculators and smugglers. In accordance with a recent decision of the municipal CCP committee and municipal people's government, the Fuzhou Public Security Bureau set up a 36-member police unit to clear away the black market from the railway station in coordination with other security personnel and the municipal industrial and commercial management agencies. In a series of sweeping moves from 27-29 December, the police detail stormed the black market and confiscated 382 wristwatches smuggled into Fuzhou from foreign countries, 253 silver dollars, some 16,000 yuan and a number of radio-receiver-recorders and cassette recording tapes which had also been smuggled from abroad. Several smugglers and illegal traders were arrested by the police. [Fuzhou Fujian Provincial Service in Mandarin 1035 GMT 14 Jan 81 OW]

FUJIAN PRICE INSPECTION--Various commercial departments throughout Fujian Province have organized price inspections in accordance with the State Council's circular. Fuzhou Municipality has organized some 300 people to carry out inspections in more than 800 companies. Xiamen Municipality also organized 88 people to carry out inspections. The price inspection groups have done a good job in stabilizing commodity prices and regulating supply of materials. [HK211507 Fuzhou Fujian Provincial Service in Mandarin 1035 GMT 20 Jan 81 HK]

HEILONGJIANG TELEVISIONS--According to commercial departments' statistics, Heilongjiang sold 126,000 televisions in 1980--250 percent more than in 1979. Some 26,000 were sold in rural areas. [SK191014 Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 17 Jan 81 SK]

JILIN RURAL MARKET SUPPLIES--Rural markets are active throughout Jilin Province. Compared with 1979, the total sales at markets in 1980 were 8.8 percent higher, sales of capital goods, televisions and transistor radios increased by 16.2, 300 and 31.1 percent, respectively, over those of 1979. Sales of chemical fertilizer were the best since the PRC's founding. [Changchun Jilin Provincial Service in Mandarin 1100 GMT 18 Jan 81 SK]

JIANGSU COMMODITY PRICES--The Jiangsu Provincial Commodity Price Commission issued a circular on 8 January calling on departments in charge of commodity prices in all localities as well as related departments and bureaus at the provincial level to further inspect commodity prices. The circular points out that it is necessary to carry out such an inspection on a large scale until the Spring Festival at retail stores, wholesale enterprises and production departments. It is necessary to set up a commodity price inspection network and solve problems arising during the inspection. Major violations of discipline must be investigated and offenders must be punished. [Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 12 Jan 81 OW]

JIANGSU STATE ENTERPRISES--According to a preliminary statistics, locally-administered state enterprises, communications and commercial units and supply and marketing cooperatives at and above county level in Jiangsu Province earned a total profit of 3.5 billion yuan in 1980, registering a 14.11 percent increase compared with 1979. Of the earned profits, 2,549 million yuan have been turned over to the national treasury. [Nanjing Jiangsu Provincial Service in Mandarin 2300 GMT 20 Jan 81 OW]

JIANGXI PRICE INSPECTION--Commercial departments in Jiangxi have organized more than 700 price inspection groups in 10 municipalities and 22 counties to see how the State Council's circular on controlling commodity prices and readjusting negotiated prices is being implemented. The groups have promptly corrected problems which can be corrected on the spot, have commended units and individuals who abide by the price policy and have seriously handled those who violate the policy. The Boyang County foodstuff plant was found to have made an illegal profit of 6,000 yuan and was fined 2,074 yuan. The director and deputy director of the plant have had their wages suspended for 3 months. [Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 15 Jan 81 OW]

NEI MONGGOL HIGH-GRADE PRODUCTS--According to statistics compiled by Nei Monggol commercial departments, in 1980 the total sales of woolen cloth were 1.41 million meters, silk 8.66 meters, nylon blend fabric cloth 16.33 million meters, sewing machines 137,000, wristwatches 402,000, bicycles 305,000 and radios 351,000, a marked increase over the 1979 figures. The sales of televisions increased 74 percent over the 1979 figure. According to estimates compiled by departments concerned, the 1980 regional purchases of commodities totaled 4.29 billion yuan, about 3.66 percent higher than the 1979 figure. [Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 13 Jan 81 SK]

NEI MONGGOL SPECULATIVE ACTIVITIES--The Chifeng municipal public security and industrial and commercial administrative departments recently formed a work group to readjust farm and sideline product markets and to crack down on speculative activities such as illegally buying smuggled goods and reselling them at a profit and raising commodity prices in a disguised manner. According to statistics compiled in early January 1981, some 500 cases involving speculative activities and illegal selling of smuggled goods were solved. [SK191000 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 18 Jan 81 SK]

BEIJING SALES, SERVICE COMPANY--Beijing, January 22 (XINHUA)--A sales and technical service company was set up here today by the Chinese First Ministry of Machine Building to serve as an intermediary between producer and user units. Needs for such a company arise from China's current economic reform, which allows machinery plants to sell part of their products through the market so that they will get to know the buyers' demands better, said a spokesman of the company. Formerly, all their products were allocated by the state. Apart from acting as a sales and purchasing agent, the company also offers such services as the designing, manufacturing and installation of equipment, the training of personnel and free consultations regarding the production and sales of mechanical and electrical products. [Text] [Beijing XINHUA in English 1221 GMT 22 Jan 81 OW]

CSO: 4006

## FOREIGN TRADE

### BRIEFS

**HUNAN EXPORT PROCUREMENT**--In 1980, Hunan Province procured export goods amounting to 980 million yuan and exported goods amounting to \$310 million, fulfilling the year's plans respectively 80 days and 20 days ahead of schedule. Leaders at all levels throughout the province have played a very important role in promoting the procurement of export goods and the export trade. [Changsha Hunan Provincial Service in Mandarin 1100 GMT 14 Jan 81 HK]

**SHANGHAI EXPORTS**--Shanghai, 8 Jan (XINHUA)--Exports from Shanghai, China's leading foreign trade port, reached 4,260 million U.S. dollars in 1980, 16 percent more than in the previous year. This sets a new record in the city's foreign trade. [Text] [Beijing XINHUA in English 1230 GMT 8 Jan 81 OW]

**SHANGHAI FOREIGN EXCHANGE**--According to a report by JIEFANG RIBAO, the total foreign exchange earned through trade and other sources in Shanghai reached \$4.3 billion in 1980, increasing by 16 percent over that in 1979. [Shanghai City Service in Mandarin 2300 GMT 2 Jan 81 OW]

**ZHEJIANG FOREIGN TRADE**--In 1980 Zhejiang procured 1.9 billion yuan of goods for export, setting a new record after liberation and representing a 135-percent fulfillment of its annual target. Compared with 1979, Zhejiang's export of light industrial goods and traditional handicrafts increased 38.2 and 30 percent respectively last year. [OW181109 Hangzhou Zhejiang Provincial Service in Mandarin 1100 GMT 15 Jan 81 OW]

**EXPORT COMMODITIES CORPORATION**--Beijing, February 1 (XINHUA)--A new corporation to promote production of export goods started business here today. The new organization, the China Export Commodities Centers Construction Corporation, will help enterprises expand export production, raise quality of export goods, increase designs and varieties and improve packaging. It will also help various localities and departments build factories, mines, workshops for production of export commodities. [Text] [Beijing XINHUA in English 1209 GMT 1 Feb 81 OW]

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## TRANSPORTATION

### BRIEFS

**RAILWAYS CONSTRUCTION**--Beijing, February 1 (XINHUA)--China last year used 3.6 times more investment to revamp old railways than to build new ones. As a result, 1,059 kilometers of railway lines were double-tracked, and 640 kilometers of electrified railways started operation. Among the double-track lines put into use last year were sections of the lines from Jinan, capital of Shandong Province, to Qingdao, a seaside city in the same province, from Shijiazhuang, capital of Hebei Province, to Dezhou, a city in neighbouring Shandong Province and from Beijing to Baotou, an industrial city in the Inner Mongolian Autonomous Region. The electrified railways that opened to traffic last year were: the 120-kilometer long section from Shijiazhuang to Yangquan, a major coal-producing center in Shanxi Province, the 362-kilometer section from Xiangfan, an industrial city in Hubei Province, to Ankang County in Shaanxi Province, and the 150-kilometer section from Baoji, a city in Shaanxi Province, to Tianshui in neighbouring Gansu Province. In addition, track-laying quotas were met for the lines from Wuhu, a city in Anhui Province, to Guixi County in neighbouring Jiangxi Province and from Handan, a city in Hebei Province, to Changzhi, a city in Shanxi Province. [Text] [Beijing XINHUA in English 0753 GMT 1 Jan 81 OW]

**AIR SERVICE WITH U.S.**--New York, January 7 (XINHUA)--Regular air service between China and the United States of America was established today when a Boeing 747 of the General Administration of Civil Aviation of China (C.A.A.C.) landed at the Kennedy International Airport here at 7:55 this evening. The historic flight, from Beijing to New York covering more than 15,000 kilometers, took 16 hours and 30 minutes including stopovers at Shanghai and San Francisco. A ceremony was held this afternoon in San Francisco to celebrate the inaugural flight. Mayor Dianne Feinstein and Chinese consul-general in San Francisco Hu Dingyi spoke, hoping that the direct flight between China and the United States would help strengthen the friendship between the two countries. A reception will be given tomorrow evening in New York by Chinese Ambassador Chai Zemin to honour the occasion. [Text] [OW080814 Beijing XINHUA in English 0805 GMT 8 Jan 81]

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## GENERAL

### CUSTOMS CLARIFIES PARCEL POST REGULATIONS

OW201005 Beijing XINHUA Domestic Service in Chinese 1516 GMT 28 Jan 81

[Text] Beijing, 28 Jan (XINHUA)--Recently there have been some queries about the customs regulations on articles mailed by individuals to and from the country. On this matter, our reporter called on a responsible person of the General Customs Office. Following are the questions and answers during the interview:

Question: What are the basic principles and rules that customs applies to control the mailing of personal articles to and from the country?

Answer: Mailing personal articles to and from the country is a normal way for our compatriots in Hong Kong, Macao and Taiwan, overseas Chinese and foreign nations of Chinese descent to send gifts to their relatives and friends at home and vice versa. It also serves as one of the channels for friendly contacts between the Chinese and their foreign friends. Every year, a large volume of articles and printed matter is mailed by individuals to and from the country. Since the procedure involved is rather simple, we have discovered that some smugglers have used this channel to mail those items bought cheaper abroad to sell in the country and engage in speculation and profiteering. This disrupts our socialist economic order. Because of this, in controlling articles mailed by individuals to and from the country, we should, on the one hand, facilitate the normal mailing of personal articles to satisfy the needs of senders and recipients. On the other hand, we have to restrict smuggling.

Articles mailed by individuals to and from the country are limited to gifts between relatives and friends, and their quantities should be reasonable and should not exceed what is normally required by the recipients themselves. For this reason, the customs has set a limit on the value and quantity of articles to be mailed and has drawn up a list of prohibited and controlled items. Articles received from abroad or to be sent out of the country must go through customs inspection, and import duty paid according to the regulations in the case of incoming articles (no duty is imposed on articles going out of the country) before they are cleared through customs.

Customs has taken into consideration the fact that it is easier for compatriots living in Hong Kong and Macao to visit the mainland because these two places are not far away. As for Chinese living overseas, due to relatively

long distances, it is not so convenient for them to come back to visit their relatives. For this reason, the value and quantity limits on articles sent in from overseas Chinese is less rigid than those from Hong Kong and Macao. According to regulations set by customs, a parcel sent to or from a foreign country should not exceed a value of 100 yuan of renminbi. The total value of parcels received from abroad and of those mailed out by a family each year should not exceed 800 yuan of renminbi. As for parcels sent to or received from Hong Kong and Macao, the value limit for a parcel is 30 yuan of renminbi, and the total value of parcels received and of those mailed out by a family each year should not be over 300 yuan of renminbi.

Question: By customs regulations, what items cannot be mailed to and from the country?

Answer: To safeguard state security, protect the people's health, speed up the inspection and clearance of parcels, preserve socialist economic order and guard against articles the following items are prohibited: as stated in the list of prohibited items for import and export promulgated by the customs of the People's Republic of China, all types of weapons, explosives, renminbi, highly toxic materials, and animals and plants carrying dangerous bacteria and insects can neither be imported nor exported. In addition to these, used apparel and bedding, sealed and canned goods in nontransparent containers, wristwatches, cameras, TV sets, radios, tape recorders, bicycles, sewing machines and electric fans can neither be mailed into the country nor consigned for import by other means of transportation. Musk, dried venom of toads, eucommia bark, Chinese caterpillar fungus, tubers of elevated gastrodia, cinnabar, pianzihuang [3651 0098 7806], liushenwan [0362 4377 0029], anguannihuangwan [1344 1351 3662 7806 0029], yunnan baiyao [4101 5522], and contraceptive devices and medicines cannot be mailed out of the country.

Question: What are the items mailed to and from China for which the customs has set quantity and value limits?

Answer: Mainly the following:

1. Medicine and Chinese medicinal herbs--a value limit of 40 yuan of renminbi has been set on each parcel mailed into China from abroad containing medicine and medicinal herbs, while a value limit of 20 yuan has been set on each parcel mailed into China from Hong Kong and Macao. A value limit of 20 yuan has been set on each parcel sent abroad. In the parcel, the total weight of Chinese medicinal herbs must not exceed 1 kilogram, and the weight of any single item must not exceed 250 grams. A value limit of 20 yuan has been set for each parcel sent to Hong Kong and Macao. In the parcel, the total weight of Chinese medicinal herbs must not exceed 500 grams, and no single item must exceed 150 grams. Each month, only one parcel containing Chinese medicinal herbs within the aforementioned limits can be mailed abroad or to Hong Kong and Macao.

2. Cotton cloth and fabric made of synthetic fiber--only 10 meters of such cotton cloth or fabric can be mailed into China from abroad. Those mailed into China from Hong Kong and Macao are limited to 5 meters, and only 6 meters can be mailed out of the country. In all cases, the width of such cloth and fabrics must not exceed 130 cm.

3. Dried mushroom, black moss and black fungus—only 500 grams of each kind can be mailed to foreign countries and 250 grams of each kind to Hong Kong and Macao.

4. Recording tapes—only five reels can be mailed into China from abroad while the number of tapes mailed into China from Hong Kong and Macao is limited to three reels only.

5. Stamps for philatelic use—the number of stamps for philatelic use sent into China from abroad and out of the country to foreign countries is limited to 100, while that from and to Hong Kong and Macao is limited to 50 (except those stamps which are not permitted to be mailed to or from the country as stipulated by the Ministry of Posts and Telecommunications).

When stamps for philatelic use are included in the letter, it is necessary to write "stamps for philatelic use" on the envelope, and a declaration must be made to the customs. Only then, philatelic stamps can be mailed in or out.

6. Small electronic calculators—one such calculator can be mailed into China to any person who engages in scientific research, designing, engineering and technology, accounting and statistics and to anyone who is a teacher or student teaching or studying in the Department of Physical Sciences or Engineering in a college or a secondary technical school. Anyone who belongs to the above-mentioned category and has a need for such calculator should obtain a certifying letter from the unit in which he works or an organ at and above the communal level, and submit an application to the customs. Only when the application is approved, can the calculator be mailed into the country.

Except those which exceed the value and quantity limits, all other articles in reasonable quantity for personal use in a parcel which is under the unit value limit can be mailed to and from the country.

Customs will return articles which have been mailed into the country or are to be mailed out of the country, but which have either exceeded the value and quantity limits or are not mailable. Customs will not return those articles mailed into China or to be mailed out of the country, which China forbids as imports or exports, including those detrimental to the country in the fields of politics, economy, culture, morality and public health.

Question: What kind of procedure must an addressee or addresser adopt to go through customs in order to send or receive a parcel?

Answer: Before the addresser mails a parcel out of the country, he must fill out a customs declaration form, and accurately put down the description, quantity and value of the contents in the parcel, and submit it to customs. The addressee of a parcel mailed into China must carefully check the contents of the parcel against the description of the contents given by customs in its "tax payment form" and pay import duties and the customs examination fee (the service charge collected by a post office). Only then, can the addressee take out the parcel.

Question: What kind of specific regulations has customs for printed matter mailed to an individual from abroad or printed matter which an individual seeks to mail out of the country?

Answer: The import of printed matter with the following contents is forbidden: those slandering our party and state leaders by name, attacking China's socialist system, and peddling of obscenity, sex, terror and murder as well as those used for missionary work and so on. The export of printed matter with the following contents is not allowed: those containing China's secrets; ancient and old books and journals without certifying documents issued by the State Administrative Department for relics and archaeological data permitting the export of such books and journals; printed matter to be exported in large quantities for resale and profit; and those of a political nature illegally printed for propaganda use.

Except for that aforementioned printed matter which is not to be exported or imported, an individual is allowed to mail out of the country or receive printed matter from abroad for personal use in reasonable quantities. No tax will be levied on any printed matter for export. Except for picture albums and stereo postcards on which tax will be levied according to regulations, other printed matter imported is duty free.

Question: What kind of action will be considered as an act of smuggling in mailing articles and printed matter out of the country or receiving them from abroad?

Answer: In mailing articles or printed matter out of the country and receiving them from abroad, one would be considered to be engaged in smuggling if one made a false declaration, tried to conceal things in the mail, made use of pseudonyms, assumed other names, or mailed things to different addresses to divert the attention of the customs; made use of the articles or printed matter mailed to and from the country for resale and profits; and puts undeclared things (including stamps for philatelic use) in the incoming and outgoing mail without a customs declaration. The customs will confiscate the articles concerned according to law, and impose fines depending on how serious the case is.

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## GENERAL

### LIAONING METALLURGY INSTITUTE TRIES NEW MANAGEMENT METHODS

Beijing GUANGMING RIBAO in Chinese 16 Dec 80 p 1

[Article by GUANGMING RIBAO correspondent Zhou Wenben [0719 2429 2430]: "Liaoning Metallurgy Institute Tries Three Economic Management Methods to Create Conditions for Its Operation as an Enterprise"]

[Text] The Liaoning Provincial Metallurgy Institute is gradually substituting administrative methods of management with a contract system, a scientific research accounting system and a differentiated management of the research and logistic sections. These three methods have fully aroused the enthusiasm of all workers and staff members in the institute and promoted the development of scientific research. Their experiences have created conditions for part of the institute to be operated as an enterprise.

By the end of 1979, the Liaoning Metallurgy Institute first tried out the contract system for scientific research on unplanned projects. In 1980, the same system was tried out on some projects assigned by the higher authorities. It has now signed eight contracts including two for planned projects. The fulfillment of these contracts will, according to an estimate, yield more than 400,000 yuan to be used as research expenses. When these projects can produce the desired result, the research as well as the logistic personnel will receive due shares of bonus for the scientific achievements or the fulfillment of contracts. The adoption of a contract system has solved the long-standing problem of dislocation between scientific research and production and opened an avenue for the application and popularization of the achievements of scientific research. For example, the ores of Lianhuashan Copper Mine in Nei Monggol were rejected by the metallurgy plants because of the excessive arsenic contents. The rejection forced the mine to suspend its operation and to seek help from Liaoning Metallurgy Institute. Both the institute and the mine later signed a scientific research contract with the stipulation that within 3 months, the arsenic contents should be reduced to less than 0.3 percent and the recovery rate raised to 80 percent. After the completion of experiments, according to the contract, the mine would pay a fee of 17,000 yuan. The research personnel of the ore-selection section of the metallurgy institute completed their experiments in slightly over 1 month; the arsenic contents were reduced to less than 0.26 percent, and the recovery rate was raised to more than 90 percent. This achievement enabled the Lianhuashan Copper Mine, then on the verge of bankruptcy, to recover its vitality.

While implementing the contract system, the institute also adopted the system of economic accounting for each special research project by allotting a fixed amount of funds for the special group responsible for the project. There are rewards for the practice of economy while excessive spending will be punished. This principle helped strengthen the research personnel's economic consciousness and reduce expenditures.

To create conditions for the institute to be operated as an enterprise, Liaoning Provincial Metallurgy Institute also carried out suitable reforms on the logistic section. The machinery repair factory, the laboratory, the vehicle convoy, the water heating, carpentry and masonry group, the mess hall, the child care center, the supply and marketing section, the capital construction section and the comprehensive factory collectively owned were all combined to form an integrated organization, or service company. Operating as an enterprise, this service company has its own independent economic accounting and is solely responsible for its own profits and losses. It also performs services for various sections of the institute in the form of economic contracts. Productivity has been greatly increased because of the piece-work system which includes a bonus system, and the system of contract responsibility for small projects. The original plan of the institute for overhauling the heating system of two dormitories was for the job on one of them to be undertaken by itself and the job on the remaining one to be undertaken by an outside contractor. In this way, the construction expenditure would amount to more than 4,000 yuan and the work would take 3 months. After its establishment, the service company signed a contract for the job on both dormitories. This job was completed in 1 and a half months and the institute awarded a 1,000 yuan bonus.

Since the restructuring of the institute, scientific research has gathered momentum, and by September, it has completed 77 percent of its annual tasks. Its income for 1980 is estimated to be as much as 320,000 yuan (or 160,000 yuan from outside-the-plan projects and another 160,000 yuan of profit for the service company), a 120 percent increase over the income of 140,000 yuan in 1979.

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## GENERAL

### BRIEFS

**HEILONGJIANG SERVICE CENTERS**--In 1980 Jiamusi Municipality, Heilongjiang Province, established 400 service centers, averaging 2.8 service centers per 1,000 persons. It also established five markets to sell agricultural and industrial products, built 50,000 square meters of asphalt road, increased the daily water supply volume from 2,000 tons to 5,000 tons and built 150,000 square meters in housing floor space, thus providing houses for 3,000 staff households. By establishing service centers, 91 percent of the jobless youths were provided with jobs. This municipality also attended to the cultural lives of residents. Some 15 film showing centers and 1 theater were established. It also overfulfilled the 1980 industrial output value plan by 12 percent 15 days ahead of schedule. [Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 14 Jan 81 SK]

**BEIJING DEPARTMENT STORE ROBBERY**--Beijing, 12 Jan (XINHUA)--Beijing police said today they had arrested a man and recovered a quantity of merchandise and money from his home, 10 hours after the city's biggest department store was robbed. The man, aged 21 and unemployed, will appear in court later. The police said the robbery took place in the early hours of yesterday morning and was discovered when the staff arrived. The shop did not open for 4 hours. The recovered goods were 9 cameras, 3 calculators, 20 rolls of film and 4,921 yuan in cash, worth together 10,000 yuan. [Text] [Beijing XINHUA in English 1217 GMT 12 Jan 81 OW]

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## PUBLICATIONS

### BRIEFS

SCIENCE-TECHNOLOGY DICTIONARY--Shanghai, 16 Dec (XINHUA)--The Chinese English "Modern Science-Technology Dictionary," Volume 1 of two volumes, has been published by the Shanghai Science and Technological Publishing House. The second volume will be off the press by the end of this year. Containing 7.5 million words, over 2,600 plates and 106,000 entries covering 109 branches of modern natural sciences, it was compiled according to the need in the development of science and technology in China. With the explanations of all entries simple, clear and concise, it differs from existing encyclopedia and "ci hai." Compilation of this dictionary was begun by more than 200 scientists and professional workers in the spring of 1978. [OW210250 Beijing XINHUA Domestic Service in Chinese 0348 GMT 16 Dec 80 OW]

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